



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2009**

# **CITY OF TEXARKANA, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
September 30, 2009**

*Prepared by:*

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



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## **Introductory Section**







# CITY OF TEXARKANA, TEXAS

## FINANCE DEPARTMENT

P. O. BOX 1967 75504

PHONE 903-798-3929

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

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Texas (the City) for the fiscal year ended September 30, 2009, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

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

Holliday, Lemons, & Cox, P. C. Certified Public Accountants, have issued an unqualified opinion on the City of Texarkana, Texas financial statements for the year ended September 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Government**

The City of Texarkana, Texas (the City), incorporated in 1874, is located on the Texas -Arkansas state line in the northeast corner of the State of Texas. The City is 28 miles south of Oklahoma and 25 miles north of the Louisiana boundary line and the City currently occupies a land area of 29.5 square miles and serves a population estimated at 35,700. The City is empowered to levy a property tax on real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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



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

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

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Texarkana as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Texarkana-Bowie County Family Health Center and the Texarkana Public Library are included in the financial statements as discretely presented component units.

### **Local Economy**

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

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

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

The City's primary and secondary education needs are served by three (3) public school districts, and four (4) other public school districts that border the City, as well as several area private schools. Four (4) institutions of higher education provide services to the City. Texarkana College has more than 5,000 students enrolled; Texas A&M University-Texarkana serves approximately 1,800 students, is currently downward expanding with the first freshman class expected in Fall, 2010 and is currently constructing a \$75 million student services building at their Bringle Lake campus; the University of Arkansas for Medical Sciences Area Health

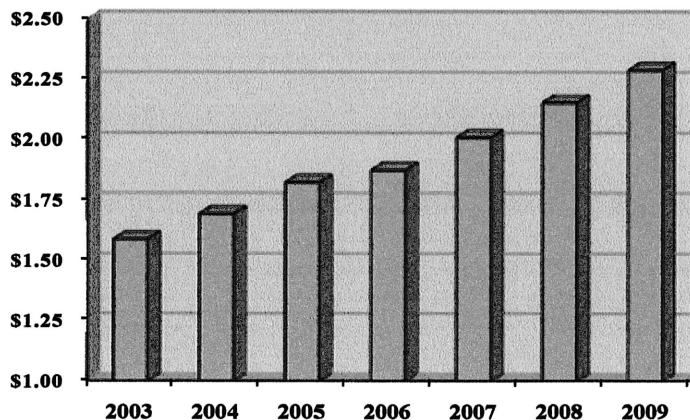
Education Center which provides higher education services in the area; and Southern Arkansas Tech, which provides airframe and power plant training for 150 students at the airport.

The City has a number of worthwhile attractions, including the only U.S. Post Office located in two states, which provides a unique photo opportunity at Photographer's Island, the Scott Joplin Mural, the historic Perot Theatre, the Regional Arts Center, Ace of Clubs House, Discovery Place Children's Museum and Texarkana Museum of Regional History, the Texarkana Symphony Orchestra, a municipal golf course designed by Jim Fazzio, Jr. and managed by Hank Haney, and City parks that have hosted a number of district and state athletic tournaments. Additionally, there are a multitude of outdoor activities available on one of many lakes and rivers in the region.

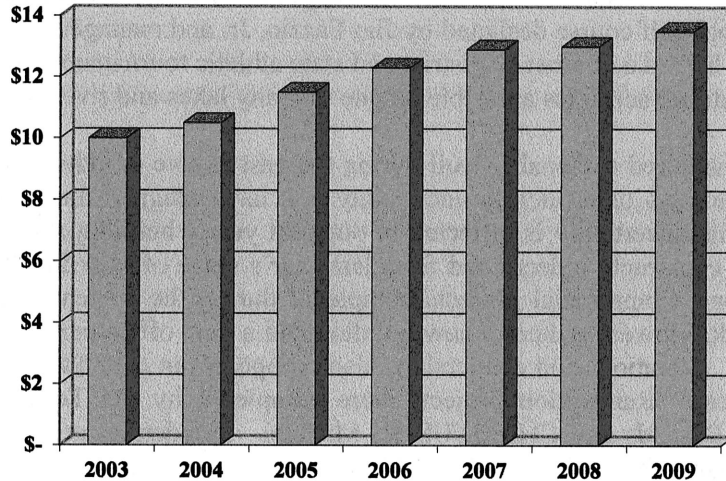
Texarkana, Texas has fared reasonably well during the past twelve months, but the City has not totally escaped the effects of economic uncertainty that have plagued the country for the past couple of years. This uncertainty is reflected in our past year's building statistics. Permits for new non-residential construction decreased from last year's value of over \$19,000,000 to around \$6,000,000 this year. Commercial projects completed during the current year include a new Guaranty Bond Bank, Flowers Bakery's new building and a new office center. Permits for non-residential additions, alterations and conversions also dropped from over \$42,000,000 last year to \$14,000,000 this year. Renovation projects were completed by the Texarkana Independent School District, McDonalds and CHRISTUS St. Michael. Residential permits were the bright spot this year, increasing from \$5,500,000 to \$16,000,000, due in large part to the construction of The Oaks at Rose Hill (formerly Covington Homes) by the Housing Authority. Residential additions, alterations and conversions ended the year at \$10,045,927, a slight decline from last year's number of \$12,211,877.

Sales tax and property tax revenues are responsible for a substantial portion of the City's operating budget, and collections of both revenues have increased in the past year. The increase in sales tax revenue continues to indicate the City's position as a retail shopping hub for the four states area. Collections increased by two and one-third percent (2.3%) over last year, from \$13,045,922 to \$13,346,908. Property tax values in 2009 were \$2,289,231,865, an increase over 2008 of just over six percent (6%). Historical perspectives of these revenues are illustrated in the following graphs.

**ASSESSED PROPERTY VALUATIONS**  
(in billions)



**SALES TAX COLLECTIONS**  
(in millions)



T-Line, the City's public transportation network, reported a decrease of over six percent (6%) in passenger trips along its regular routes in 2009, while service on the T-Line's fixed route ADA Para Transit service increased by twenty-one percent (21%) over last year.

The City has also felt the effect of the slow economy in the area of employment. Although Texarkana is still well below the national rate of 9.5%, the local rate of 7.2% at September 30, 2009 is the first increase since 2003, but it is still below the state rate of 8.3%. The previous 10 year high rate was 7% in 2003.

**Long-Term Financial Planning**

Unreserved, undesignated fund balance in the general fund (14.96% of general fund expenditures) is above the reserve goal set by the City Manager of twelve percent (12%). The City will continue to work to maintain a minimum twelve percent (12%) reserve in the general fund, and may choose to increase this reserve goal in the future as long-range strategic planning processes are completed and continually updated.

As in the past, development along the I-30 Corridor is projected to be the major commercial growth area in the City. Work continues on the Texas Department of Transportation's estimated \$153,000,000 project along I-30 through the City, with a projected completion date of December, 2010. Texas A&M Texarkana is continuing its downward expansion, with current construction of its second building, a student services center, underway, and future plans for dormitories and other buildings are in design phase. It is anticipated that the University Corridor from I-30 to the university will see extensive commercial, multi-family residential and retail development in the future. The future completion of these major projects should continue to strengthen growth in the City's property tax base and sales tax collections, which comprise around eighty percent (80%) of the City's operating budget.

Several years ago, the City Council increased electric and gas franchise rates, as well as the hotel occupancy tax rate, with specific objectives in mind. The franchise fee increase was reserved for the establishment of an economic development fund to be used for future economic development projects and activities and to provide incentives for potential projects that would bring jobs and revenue growth to the area. The City is aggressively pursuing economic development projects, and two (2) incentive arrangements are currently in place.

An increase was also granted to the hotel occupancy tax rate, set aside for future development of a convention center facility for the City. Property has been purchased and negotiations have begun for the design and construction of a City-owned convention center to be built adjacent to a full-service hotel facility. Debt service for this project is expected to be provided by additional hotel occupancy tax revenues to be received in the future.

The City has established two (2) Tax Increment Reinvestment Zones (TIRZ) within its boundaries. The first will operate in an area that begins on the south side of I-30 and extends north along the University Avenue Corridor to include the proposed University overlay district. The second will run from Texas Boulevard at State Line Avenue through the downtown area. Future incremental tax increases to existing properties and new properties in these districts are projected to provide funding for needed infrastructure projects within these areas without an additional tax burden to our citizens. Funding of both districts will begin on October 1, 2010.

In 2007 the Texarkana, Texas water department (dba TWU) contracted with HDR Engineering, Inc. of Dallas, Texas, for two engineering study projects. The Wright Patman Water Treatment Plant evaluation project was undertaken to help determine the path to be taken with the existing water plant on New Boston Road, which is almost forty years old, in order to continue to meet regulatory and performance goals. We received the final report with recommendations in June 2010. Among other things, the project evaluated pilot testing of low pressure membranes to replace existing sand filters and the elimination of the dangerous chemical chlorine as a disinfectant. Near-term recommendations include upgrades to the raw water intake facility, camera inspection of the nine-mile raw water pipeline to Texarkana, and the collection of critical information for the decision-making process on the long-term improvements. Probable cost is estimated at \$710,000 which could possibly be handled with existing capital improvement funds. The long-term recommendations include the implementation of a membrane filtration process to replace the existing sand filters and convert from gas chlorine to onsite generation of sodium hypochlorite. Some of the existing facilities would be utilized such as the administration building, high-service pumps, clear wells, and underground storage. The estimated cost is \$28,339,000 and would require the issuance of bonds. Moving forward with this project will depend upon the decision of the Texarkana, Texas City Council, the Texarkana, Arkansas Board of Directors, and the governing bodies of the seven Member Cities, since they all have ownership in the existing facilities. A new regional water district (Riverbend) was created during the most recent session of the Texas Legislature. Texarkana, Texas is currently a member of Riverbend and the evolution of this regional organization may have an impact on the final decision and potential cost sharing of an upgraded or new Wright Patman water treatment facility.

The second project was the evaluation of the improvements and upgrades needed at the South Regional Wastewater Treatment Plant, which is over twenty years old. The total improvements are estimated to cost \$13,900,000 which can be done in three phases with the first phase costing \$6,501,000. The decision to move forward with this project, which will require the issuance of bonds, will require the approval of the Texarkana, Texas City Council and the Arkansas Board of Directors, since this is a jointly owned facility.

## **Relevant Financial Policies**

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

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

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager in May of each year. 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 Council for review prior to August 1. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget on or before September 1, thirty (30) days before the end of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may make transfers of funds between general classifications of expenditures within an office, department or agency. Any transfers of funds from one office, department or agency to another require Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

The City received significant one-time grant proceeds in fiscal year 2009 that were the result of damage caused by Hurricanes Katrina and Ike. These grant proceeds reimbursed the City for damages and also reimbursed operational expense increases that resulted directly from the storms. These one-time receipts will not be used in future budget projections. The City was also required in this fiscal year to recognize liabilities for post employment benefits as required under the rules of GASB Statement 45. The application of this statement to future periods will require review of current benefit plans and consideration of the City's future funding options for these liabilities.

## **Major Initiatives**

For fiscal year 2010-2011, the City will begin funding its two (2) TIRZ districts. It is anticipated that the first infrastructure project may be an extension of Gibson Lane to accommodate a new commercial project in that district. In addition, work will continue on construction and reconstruction of Morris Lane as an additional east-west collector street on the north side of the City, and additional work is expected on infrastructure projects in the area of Texas A&M University's new campus. Design work has begun on the City's convention center to be built with a full-service Hilton Garden Inn, using a public/private ownership arrangement. Grand opening is expected by December, 2011. The City is also in the study phase for eventual implementation of a state-mandated Stormwater Utility District, that is expected to be operational by February, 2011 and it is developing a City-wide trash recycling project that is expected to divert an estimated 20 tons per week of items deposited in the landfill and extend its life by at least 7 years.

## **Awards and Acknowledgements**

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2008. This was the nineteenth (19th) consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



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

October 4, 2010



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Texarkana  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

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



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

Executive Director

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**PRINCIPAL OFFICIALS**

**CITY COUNCIL**

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**STEPHEN A. MAYO**

Mayor

**DERRICK MCGARY**

Councilmember, Ward 1

**WILLIE RAY**

Councilmember, Ward 2

**TINA VEAL-GOOCH**

Councilmember, Ward 3

**BOB BRUGGEMAN**

Councilmember, Ward 4

**SCOTT NORTON**

Councilmember, Ward 5

**ROBIN COURT**

Councilmember, Ward 6

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**F. LARRY SULLIVAN, ED. D.**

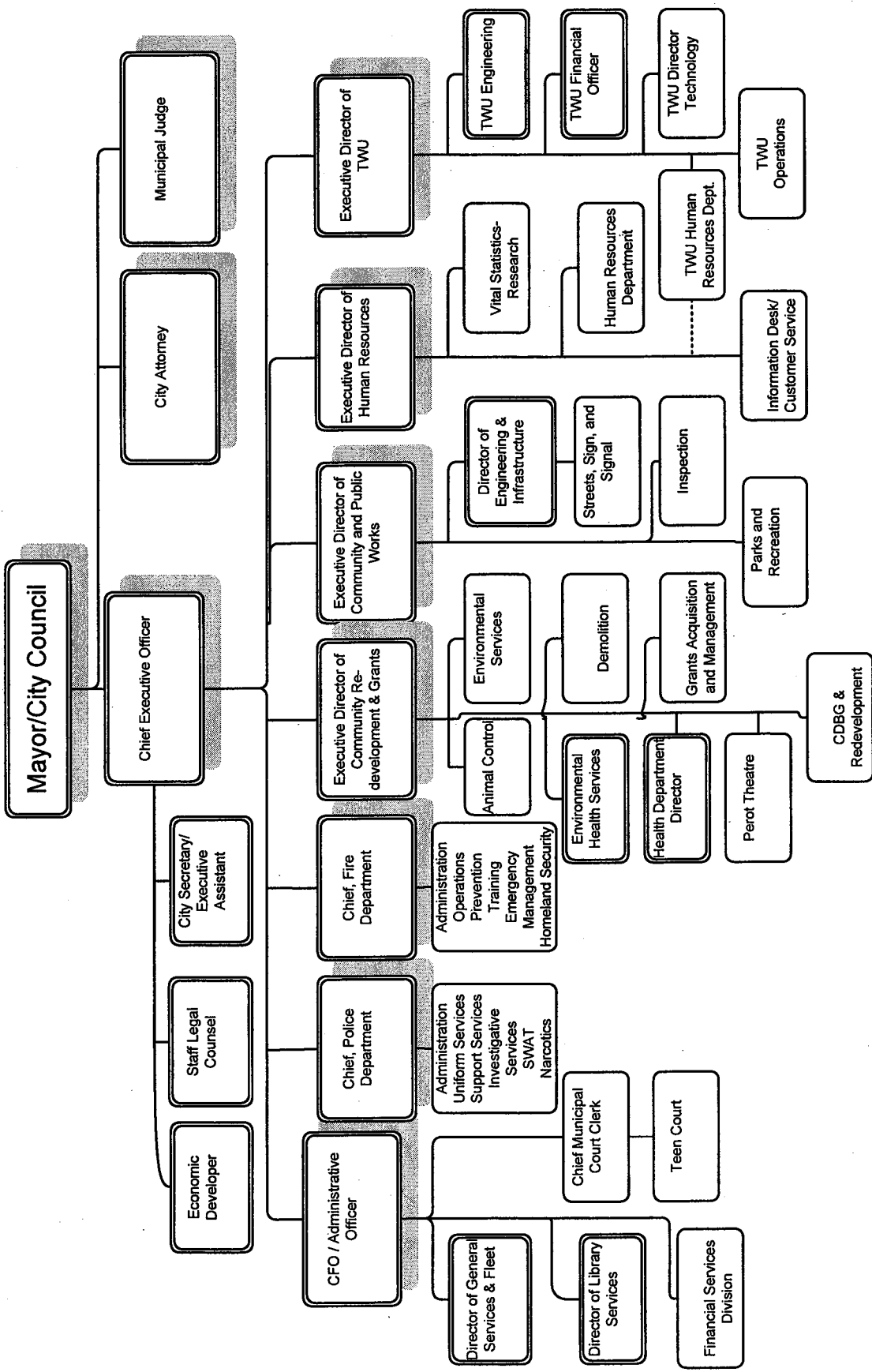
CEO/City Manager

**CHARLES L. BASSETT, JR., CPA**

Chief Financial Officer

**KERRY MEREDITH**

City Secretary



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## **Financial Section**

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# HOLLIDAY, LEMONS, & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
and Honorable Stephen A. Mayo, Mayor  
City of Texarkana, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Texarkana, Texas' management. Our responsibility is to express opinions on these financial statements and schedules based on our audit.

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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Texarkana, Texas as of September 30, 2009 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2010, on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan trend information on pages 7 through 25 and pages 99 through 100, respectively, be presented to supplement the basic financial statements. Such information, although

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DIVISION FOR CPA FIRMS, PCPS/THE AICPA ALLIANCE FOR CPA FIRMS  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Texarkana, Texas' basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Texarkana, Texas. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole. The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Holliday, Lemons & Cox, P.C." The signature is written in a cursive, flowing style.

October 4, 2010



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Texarkana, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii - xiii of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$166,410,725 (net assets). Of this amount, \$21,396,526 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$1,796,086 during this fiscal year. All of the increase was due to current operations.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$15,440,625. Approximately 58% of this total amount, \$8,976,166 is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$4,245,301, or 14.96% of total general fund expenditures.
- The City has approximately 66 days of expenditures in the fund balance of the general fund at year end.
- The City's total long-term liabilities decreased by \$2,275,755 (4.05%) during the current fiscal year. The decrease was the net result of principal retirement of bonds, certificates of obligation, capital leases, tax notes, net changes to accrued compensated absences and changes to pension and other post employment obligations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate health center and public library for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 28 - 31 of this report.

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

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

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

The City maintains nineteen (19) governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the 2003 Bond Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other sixteen (16) funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 32 - 37 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Texarkana, Texas Water Utilities (TWU), which is considered to be a major fund of the City. Data from the other two (2) enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is presented in the form of combining statements elsewhere in this report. The three internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38 - 43 of this report.

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

The basic fiduciary fund financial statements can be found on pages 44 - 45 of this report.

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

The notes to the financial statements can be found on pages 46 - 95 of this report.

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

This required supplementary information regarding pension benefits may be found on pages 99 - 100 of this report.

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

Combining and individual statements and schedules can be found on pages 101 - 130 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Texarkana, Texas, assets exceeded liabilities by \$166,410,725 as of September 30, 2009. The largest portion of the City's net assets (\$132,770,236 or 79.8%), reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF TEXARKANA, TEXAS' NET ASSETS

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Current and other assets	\$ 30,512,922	29,773,757	16,567,831	16,255,268	47,080,753	46,029,025
Capital assets	111,791,284	111,992,053	68,220,986	69,848,326	180,012,270	181,840,379
Total assets	<u>142,304,206</u>	<u>141,765,810</u>	<u>84,788,817</u>	<u>86,103,594</u>	<u>227,093,023</u>	<u>227,869,404</u>
Long-term liabilities outstanding	42,723,592	43,969,730	11,171,504	12,201,121	53,895,096	56,170,851
Other liabilities	3,176,009	3,150,421	3,611,193	3,933,493	6,787,202	7,083,914
Total liabilities	<u>45,899,601</u>	<u>47,120,151</u>	<u>14,782,697</u>	<u>16,134,614</u>	<u>60,682,298</u>	<u>63,254,765</u>
Net assets:						
Invested in capital assets, net of related debt	75,187,833	76,349,021	57,582,403	57,882,782	132,770,236	134,231,803
Restricted	4,597,610	3,955,059	7,646,353	6,458,586	12,243,963	10,413,645
Unrestricted	16,619,162	14,341,579	4,777,364	5,627,612	21,396,526	19,969,191
Total net assets	<u>\$ 96,404,605</u>	<u>94,645,659</u>	<u>70,006,120</u>	<u>69,968,980</u>	<u>166,410,725</u>	<u>164,614,639</u>

An additional portion of the City's net assets (7.4%) represents resources that are subject to external restrictions on their usage. All restricted assets of the City relating to both governmental activities and business-type activities are being held for purposes established by state and local laws, future construction, and debt service reserve requirements on the City's outstanding debt. The remaining balance of unrestricted net assets in the amount of \$21,396,526 (12.86%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Total net assets invested in capital assets, net of related debt, decreased \$1,426,998 (1.1%) this year. Investment in capital assets of governmental activities decreased by \$1,161,188 due mostly to an increase in capital assets of \$3,651,000, composed of new equipment and vehicles purchased, less equipment and rolling stock disposed of, completion of street reconstruction and improvement projects such as Walton Drive, drainage projects including the 32<sup>nd</sup> Street project, completion of the City's Fire Training Facility, and various park facilities improvements. The

increase was offset by net depreciation expense of \$3,836,250, and increased by a net reduction in outstanding debt of \$1,952,230 and a decrease in the balance of unspent bond funds (\$2,912,650), due to current year expenditures on a number of street and drainage projects under construction, and also offset by a change in net assets invested in the Fleet fund of \$15,300, due to depreciation expense. Investments in business-type activities decreased by \$300,379 due primarily to asset additions of \$1,019,344, less changes in depreciation of \$2,646,684, plus debt reductions of \$1,228,174. The increase in assets included \$98,754 for the Lake Drive Water & Sewer Relocation, \$82,167 for the Heritage Oaks Water Line Extension, \$58,558 to complete the Richmond Road Utility Relocation project started last year, \$156,406 for numerous small water and sewer line extensions and upgrades and tank paintings, \$224,868 in computer/GIS equipment and software replacements and enhancements, and \$112,138 in equipment replacement from the South Regional Wastewater Depreciation Fund.

Total restricted net assets increased in the current fiscal year by \$1,830,318. Restricted net assets for governmental activities increased by \$642,551. The increase is made up mostly of a positive change in our net assets restricted for special use within the Parks and Recreation Department for Hotel/Motel Tax Funds that are designated by the City Council to aid in funding the future construction of a Convention Center, together with an increase in the reserve for building maintenance for the Perot Theatre (\$516,000), along with a small increase in assets restricted for use in Public Safety (\$2,500), and an increase in restricted assets for Health and Welfare, due to reclassification of housing loans for low income citizens (\$139,000). These increases are reduced by a slight decline in assets reserved for debt service (\$15,000). Restricted net assets for business-type activities increased by \$1,187,767, due primarily to a \$720,161 increase in Capital Improvement funds, a \$156,039 increase in Compost funds, a \$277,018 increase in Infrastructure funds, a \$147,087 decrease in Debt Service funds because of decrease in required balances, and a \$181,290 decrease in Restricted Payables.

Unrestricted net assets of the City as a whole increased by \$1,427,335 during this fiscal year. Unrestricted net assets in governmental activities increased by \$2,277,583.

- This increase is related primarily to the current year excess of governmental activities revenues over expenses of \$1,758,946 (as detailed on pages 30-31 of this report. A further explanation of the current year increase of revenues over expenses for governmental activities is found on pages thirteen and fourteen (13 - 14) of Management's Discussion and Analysis.
- A reclassification of deferred changes on refunding of long-term debt from unrestricted net assets to net assets invested in capital assets, net of related debt, in the amount of \$429,100.

Unrestricted net assets in business type activities decreased by \$850,248. The decrease is made up mostly of three (3) components:

- A decrease of \$1,187,765 due to the net increase of restricted funds in the Capital Improvement Fund, Infrastructure Fund, capital maintenance funds, and debt service funds as explained above.
- An increase of \$300,379 corresponding to the decrease in net assets invested in capital assets, net of related debt, discussed above.
- A decrease of \$102,722 as a result of current year operations in the proprietary funds as reflected in the Statement of Revenues, Expenses, and Changes in Fund Net Assets on pages 40-41 of this report. Operating revenues exceeded operating expenses for fiscal

2009 by \$321,705. Total operating revenues were \$16,127,366, while operating expenditures totaled \$15,805,661. Operating revenues were up by 8.5% from 2008 due in part to a 15% increase in water rates and a 10% increase in sewer rates effective October 1, 2008 and a 1.1% CPI water and sewer rate increase effective January 1, 2009. The overall affect of the rate increases were reduced due to a 6.8% reduction in water production in fiscal 2009 due to a record rainfall for the year. Operating expenses were up 14%. Expenses reflect a 3% salary increase effective January 1, 2009, and a 1.41% increase in the retirement contribution rate. Chemical costs increased by 85.2%, primarily due to a large increase in the bid price of Caustic Soda and Liquid Alum used in water treatment. The price of Caustic Soda went from \$437 per ton to \$1,230 per ton. The total increase in chemical cost was \$877,046 for the year with the increase in Caustic Soda alone accounting for \$656,010 of the increase. Liquid Alum was up by \$241,599, while all other chemicals showed a net decrease of \$20,563. Other major cost increases include a 12.3% increase in power cost and a 38.7% increase in temporary labor costs. Fuel costs were down by \$123,703, or 42.6%.

The net result of the City's activity in these three (3) categories of net assets is an increase in total net assets of \$1,796,086 during the current fiscal year. Net assets related to business-type activities increased by \$37,140, while net assets from governmental activities increased by \$1,758,946. Additional related information may be found in the governmental activities section on pages 28-31 of this report.

**CITY OF TEXARKANA, TEXAS' CHANGES IN NET ASSETS**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Revenues:						
Program revenues:						
Charges for services	\$ 3,700,144	3,413,253	15,184,072	13,988,748	18,884,216	17,402,001
Operating grants and contributions	2,513,783	1,476,933			2,513,783	1,476,933
Capital grants and contributions	-	355,900	-	41,822	-	397,722
General revenues:						
Property taxes	13,346,908	11,456,172			13,346,908	11,456,172
Other taxes	16,772,162	16,537,146			16,772,162	16,537,146
Other revenue	1,684,732	1,894,912	1,038,174	1,221,837	2,722,906	3,116,749
Total revenues	<u>38,017,729</u>	<u>35,134,316</u>	<u>16,222,246</u>	<u>15,252,407</u>	<u>54,239,975</u>	<u>50,386,723</u>

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Expenses:						
General government	6,636,040	7,494,737			6,636,040	7,494,737
Public safety	16,017,900	13,812,910			16,017,900	13,812,910
Public works	6,689,575	5,682,854			6,689,575	5,682,854
Parks and recreation	2,726,053	2,926,214			2,726,053	2,926,214
Health and welfare	1,710,261	1,391,078			1,710,261	1,391,078
Miscellaneous	628,994				628,994	
Interest on long-term debt	1,868,860	1,947,304			1,868,860	1,947,304
Water and sewer			16,166,206	15,361,311	16,166,206	15,361,311
Total expenses	<u>36,277,683</u>	<u>33,255,097</u>	<u>16,166,206</u>	<u>15,361,311</u>	<u>52,443,889</u>	<u>48,616,408</u>
Changes in net assets before transfer	1,740,046	1,879,219	56,040	(108,904)	1,796,086	1,770,315
Transfers	<u>18,900</u>	<u>17,325</u>	<u>(18,900)</u>	<u>(17,325)</u>	<u>-</u>	<u>-</u>
Changes in net assets	1,758,946	1,896,544	37,140	(126,229)	1,796,086	1,770,315
Net assets, beginning as restated	94,645,659	92,749,115	69,968,980	70,095,209	164,614,639	162,844,324
Net assets, ending	<u>\$ 96,404,605</u>	<u>94,645,659</u>	<u>70,006,120</u>	<u>69,968,980</u>	<u>166,410,725</u>	<u>164,614,639</u>

**Governmental activities** - Revenues for general government activities increased by \$2,883,413 (8.2%). Major components of revenue increases are as follows:

- Charges for services increased by \$286,891, due to the following:
  - Municipal fines revenue increased as a result of implementation of new fees and enhanced enforcement activities by the departments and continued development of the City's new collection program for outstanding warrants (\$310,000).
  - Increase in park rental fees and contributions by affiliated organizations to the City employee benefit fund (\$67,000).
  - Increase in fees collected, mostly as a result of a new fee structure in the City's Environmental Services Unit, and contributions to the employee benefit fund by the public health fund (\$29,000).
  - Decrease in building permits and other associated fees in the City's Public Works Department, due to poor economic conditions during this fiscal year (\$120,000).
- Operating grants and contributions increased by \$1,036,850.
  - Operating grants and contributions classified as General Government decreased by \$141,000 from last year, due mainly to a drop in insurance proceeds from damage claims filed on City property.
  - Grants and contributions classified as Public Safety increased by \$528,000 due to the City's implementation of a Commercial Vehicle Enforcement Program



- (\$194,000), collections from area school districts for the School Resource Officer Program (\$95,500), an increase in payments from outside vendors for Police overtime (\$13,000), an increase in Public Safety related programs funded by FEMA, such as emergency management, civil defense, and fire programs (\$172,000), and a new grant funded by the Justice Department (\$60,500), offset by a reduction in the City's speed step grant (\$5,000).
  - Grants and contributions provided to the City's Public Works Department increased by \$250,000, due to increased disaster relief funds received from FEMA (\$189,000), and increased contributions from the State of Texas for development of a Springlake Park walking and bicycle trail (\$61,000).
  - Health and Welfare grants and contributions increased by \$397,000, due to increased receipts from the federal Community Development Block Grant Program (CDBG) and the Texas Department of Housing and Community Affairs (TDHCA) programs for reconstruction of housing in low income areas.
- Capital grants and contributions decreased by \$355,900, due to completion in the prior year of a Downtown Enhancement Project funded through a one-time grant from the Texas Department of Transportation for a streetscape project.
- Other taxes increased by \$235,000. The increase in other taxes was due to the following:
  - Sales tax collections were up by \$346,000 from last year. Texarkana continues to serve as a regional shopping hub, which keeps sales tax collections strong.
  - The Hotel/Motel tax revenue decreased by \$42,000, due to general economic conditions during this fiscal year.
  - Franchise fees decreased by \$34,000 due to a mild summer in the area which resulted in less electricity used.
  - Payments in lieu of taxes by another governmental agency declined by \$35,000, due to a decrease in rental income received by the organization.
- Other revenue decreased \$210,000. The decline in other revenue resulted from continued lower investment earnings in the current year, due to poor economic conditions, and substantial reductions in invested bond funds, due to completion of several bond funded projects in this fiscal year.
- Property tax collections increased by \$1,891,000 due to a 6.3% increase in the tax base, and an increase in the tax rate of 5.6¢ per \$100 valuation.

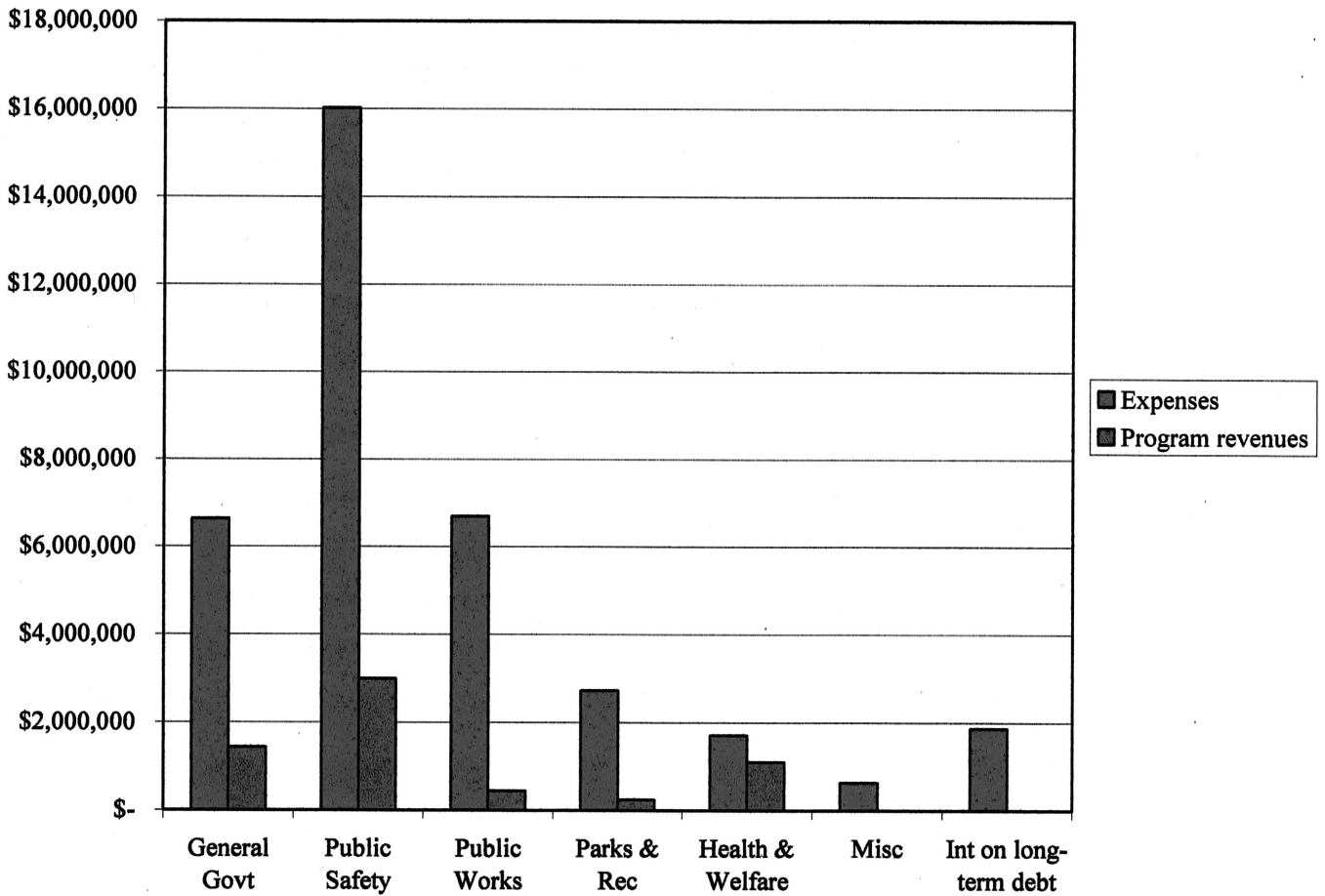
Expenses for governmental activities increased by \$3,022,586 (9.1%). Major components of expense increases are as follows:

- General government expenses decreased by \$859,000 due to the following:
  - Contributions to the City's Fleet Fund were moved in this fiscal year from General Government to the City departments that actually incurred fleet maintenance expenditures. The result was a transfer of expenditures out of General Government of \$1,400,000.
  - General Government expenditures that increased this year were:
    - State Comptroller payments for pass-through fees collected were up \$319,000.
    - Contributions to the operation of Bi-State Justice Center increased by \$74,000.

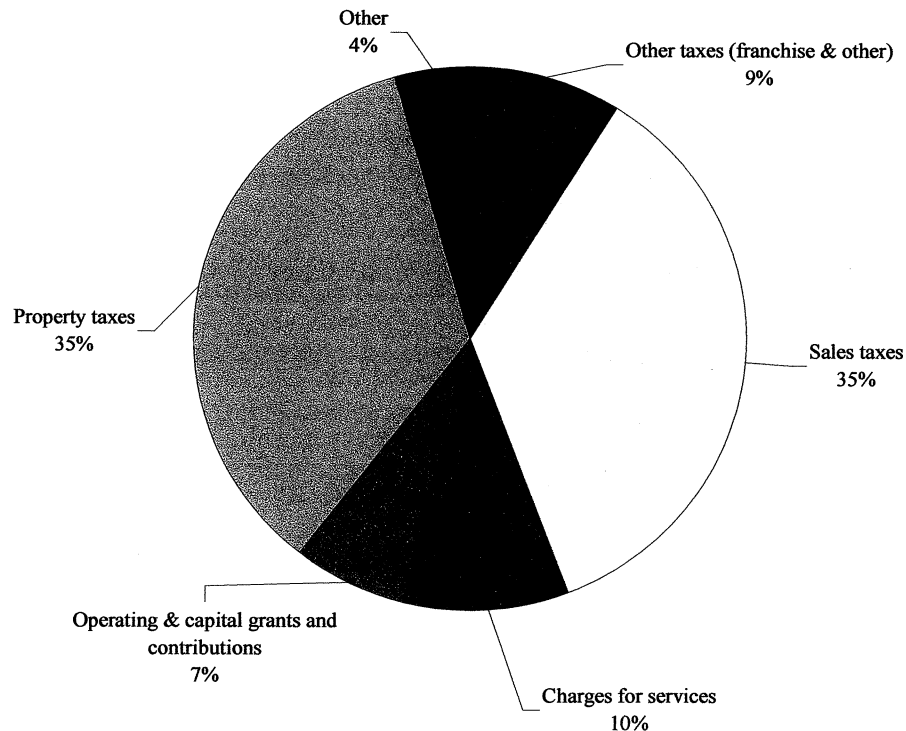
- Contributions to the operation of Bowie County Appraisal District increased by \$70,000.
  - Contributions to the City's Public Library increased by \$26,000.
  - Operational increases in various General Government departments totaled \$52,000.
- Public safety expenses increased by \$2,204,990, due to:
    - Reclassification of fleet service fund expenses from General Government - \$605,000.
    - Set up and operation of a new Commercial Vehicle Enforcement (CVE) unit - \$236,000.
    - Contributions to the operation of the Bi-State Justice Center increased by \$55,000.
    - Personnel expenses increased in the Police Department by \$621,000, due to the hiring of additional authorized positions that were frozen in the prior year, combined with equity salary adjustments, normal step-raises and increased health insurance and retirement costs.
    - Personnel expenses increased in the Fire Department by \$133,000, due mainly to normal step raises and increased health insurance and retirement costs.
    - The Public Safety Department's share of Long Term Debt resulting from the purchase of operational vehicles increased by \$362,000.
    - The Fire Department purchased 20 Motorola radios and other safety related equipment for a total increase in expenditures of \$73,000. This purchase was grant funded.
    - \$30,000 was expended by the Fire Department on technical training materials.
    - The Emergency Management Department increased expenses by \$27,000 to purchase emergency radios.
    - Various other operational expense increases in the Public Safety area totaled around \$63,000 for the year.
  - The increase in Public Works expenses was \$1,006,000, due in most part to:
    - Reclassification of fleet service fund expenses from General Government of \$446,000.
    - Personnel expenses in Public Works increased by \$102,000, due to the transfer of demolition employees that were previously grant funded to Public Works.
    - Additional funds were spent this year for street maintenance and street light maintenance in the amount of \$75,000.
    - Depreciation expenses on Public Works equipment increased by \$323,000, due to depreciation of new equipment purchased and demolition equipment transferred.
    - Various operational expense increases in other Public Works accounts increased by \$60,000 over last year.
  - Parks and Recreation expenses decreased by \$200,000.
    - Operational expenses in all Parks divisions, including personnel related expenses, increased by \$165,000.
    - Expenses from hotel/motel tax occupancy revenues decreased by \$460,000, due mostly to the prior year completion of the grand funded Downtown Enhancement project, classified as Parks Department expenses.
    - Expenses for operation of the Perot Theatre decreased this year by \$25,000.
    - Contributions to the Employee Benefit Fund increased by \$118,000 for the year.

- New reporting rules require the reporting of the City's liability for net pension and other post employment benefit obligations, resulting in increased expenses of \$629,000.
- Interest paid on long-term debt decreased this year by \$78,500, due to lower bond balances outstanding.

**EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES**



## REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

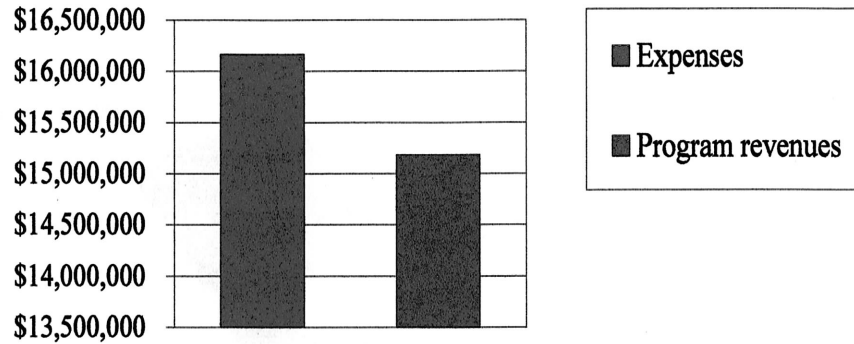


**Business-Type Activities** - Total revenue for business-type activities increased by \$969,839, or 6.4%, from 2008. While the amount of funds available for investment was substantially the same, investment earnings were down by \$253,248 reflecting a reduction in the average rate earned in 2008 of 2.53% to .45% in 2009. Water sales, excluding International Paper Contract, were up by \$519,741, or 10.4% and Sewer charges were up by \$454,889, or 7.5%. The potential revenue from the 16.1% increase in water rates and the 11.1% increase in sewer rates implemented during fiscal 2009 were mollified somewhat by the 25% increase in rainfall, a good portion of which occurred in the summer months when water consumption is normally the highest. Fiscal year 2009 ended with a 6.8% reduction in total water produced over that of 2008 and that affected water and sewer revenues adversely.

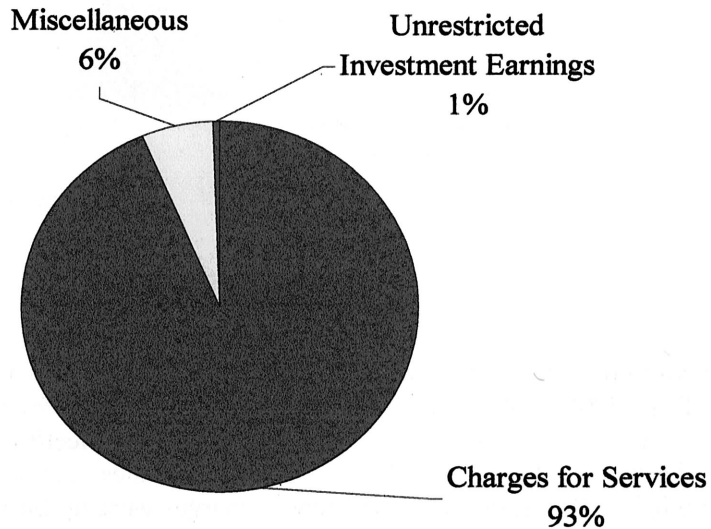
Total expenses for business-type activities increased \$804,895 in fiscal 2009. Some of the major components of this increase are as follows:

- Chemical costs increased by \$877,046.
- Salaries and related benefits for regular and temporary employees increased by \$317,177.
- Contributions to Riverbend Water District increased by \$300,000.
- Power costs increased by \$146,694.
- TMRS NPO increased by \$124,665.
- Post retirement benefit expense increased by \$42,353.
- Legal expenses decreased by \$1,059,740.
- Fuel cost decreased by \$123,703.

## EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



## REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,440,625, a decrease of \$1,065,024 in comparison with the prior year. This decrease is due mostly to the following:

- Continuing expenditures and completion of projects funded by several City bond funds, including 32<sup>nd</sup> Street Drainage Project, Waco/Kilgore Street Reconstruction Project, Scott Wright Road, Morris Lane, North Hills Reconstruction Project, Texas A&M East Approach Project, Lake Drive Overpass Project, 2008 Street Reconstruction Project, Plantivigne Drainage Project, and other smaller projects in various stages of completion. Expenditures decreased combined bond fund balances by approximately \$3,127,000.

The decrease was partially offset by:

- An increase in General Fund balance of \$878,000, explained in detail later in this document.
- An increase in the Home Fund balance of \$139,500, due to grant revenue received for low income housing reconstruction not fully expended by the end of the fiscal year.
- An increase in the Hotel/Motel Tax Fund of \$475,000, due to continued reservation of funds collected for future construction of a convention center and reduced expenditures from last year due to completion of the downtown enhancement project, which was grant funded last year.
- An increase in the Housing Fund of \$148,000, due to sale of land.
- An increase in the Economic Development Fund of \$322,500, due to the designation of utility franchise fees for future economic development projects and incentive programs.
- An increase of approximately \$100,000 in the Fund Balances of other non-major governmental funds, including Special Revenue Funds for Parks, Perot Theatre and several small Public Safety related funds.

Approximately 69% (\$10,711,943) of the fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The City designated \$551,949 for subsequent expenses, and \$1,183,828 for the future construction of a convention center. The remaining 31% (\$4,728,682) of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) various capital improvements projects (\$3,262,842), 2) non-current receivables (\$500,616), 3) Building Maintenance (\$586,574), 4) Court security (\$286,708), 5) other legally restricted purposes (\$91,942).

The general fund is the chief operating fund of the City of Texarkana, Texas. At the end of the current fiscal year, the unreserved – undesignated fund balance was \$4,245,301, while the total fund balance was \$5,169,618. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 14.96% of the total general fund expenditures, while total fund balance represents 18.22% of that same amount.

The fund balance of the City's general fund increased by \$878,120 during the 2009 fiscal year compared to an increase of \$333,097 in 2008. Key factors in this increase are as follows:

- The General Fund revenues of \$29,208,950 increased by 9.1% (\$2,424,242) over last year. The largest increases were in property taxes 22% (\$1,669,000) due to an increase in the tax base of 6.3%, and an increase of 5.6¢ per \$100 valuation in the tax rate. In addition, Grants and Entitlements increased by 184% (\$191,000), due primarily to the receipt of FEMA reimbursements for City properties that were damaged by severe storms in the area this year, and Municipal Court revenues were up 18.30% (\$317,200), due to the implementation of new fees and continued increased enforcement efforts by the police department and increased collection efforts by the court clerks and the new City Marshall's Office. Other taxes rose by

the City is a regional shopping hub. Fees and permits increased by \$86,000 (28%) due to fees collected by the City's new Commercial Vehicle Enforcement Unit. Intergovernmental Revenue increased by \$195,000 (76%) due mostly to State of Texas contributions for the Springlake Park trail, payments by school districts to the School Resource Officer Program, and collections for Police special duty contracts. These increases were partially offset by a decrease in franchise fees (\$27,500), a decline in changes for services of \$20,000, due to adjustments for uncollectible weed lot fees, a decrease in investment earnings (\$75,000), due to poor market conditions, and a decrease in other revenue of \$223,000, due primarily to fewer damage claims recovered on City property.

- Public Safety expenses increased by \$1,580,500, due to the reclassification in this fiscal year of fleet maintenance expenses from General Government, implementation of a new Commercial Vehicle Enforcement Unit, increased contributions to the operation of the Bi-State Justice Center, purchase of radio and training materials, and increased personnel expenses due to the hiring of previously frozen positions, equity adjustments and step raises and increase health insurance and retirement costs. Public Works expenses were up by \$569,000, due mostly to reclassification of fleet maintenance expenses from General Government, personnel expenses increased due to the transfer of the Demolition Department that was previously grant funded, and additional spending for street and street light maintenance. Health and welfare expenses were up due to the transfer of Environment Service Unit and Animal Control personnel from a separate fund into the General Fund this year. The increase was \$309,000.

General Government expenditures decreased this year by \$878,000, due to the transfer of fleet maintenance expenses out to the departments that utilize equipment.

Parks and Recreation expenses increased by \$159,000, mostly due to personnel equity adjustments and the hiring of previously vacant positions.

Capital Outlay expenses increased by \$345,000, due to purchases of a police vehicle and structural improvements at Southwest Center, as well as purchase of land for future development.

Debt Service decreased by approximately \$100,000, due to the pay off this year of a lease purchase agreement.

The 2003 Capital Projects Fund is a \$13,300,000 general obligation bond issue approved to fund several street improvement projects, including Flower Acres, Waco and Kilgore Streets, Butler Street and Scott Wright Road, as well as extensive improvements to the Public Library facilities. It had a fund balance at the end of this year of \$1,907,436, a decrease of \$1,394,266 (42.2%) from last year. The fund expended \$1,430,460 this year on capital projects, and the remaining fund balance is reserved for additional projects.

The Debt Service Fund is considered a major governmental fund of the City this year, and accordingly is presented separately in this year's report. This Fund ended the fiscal year with a fund balance of \$1,707,982, a decrease of \$40,302 (2.3%) from last year. The Debt Service Fund accounts for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs of all of the City's long-term general obligation debt. The fund expended \$4,056,596 in debt payments during this fiscal year, an increase of \$183,363 from last year.

The other governmental funds of the City include special revenue funds and capital project funds. At the end of the 2009 fiscal year, the City had combined ending fund balances in its special revenue funds of \$4,678,057, an increase from last year of \$1,174,275. The increase was mostly to the following:

- Grant funds received from the Texas Department of Housing and Community Affairs for the reconstruction of housing in depressed neighborhoods that had not been fully spent by the end of the year - \$139,500.
- The City continued to set aside funds for the future construction of a convention center. The increase in this reserve accounts for most of the change to this fund Balance, which went up by \$475,000.
- Designated franchise fee revenues set aside for future economic development projects and incentives increased by \$323,000.
- Proceeds from the sale of property increased the Housing Fund balance by \$148,000.
- Additional funds were reserved in the Perot Theatre Building Maintenance fund for future maintenance and capital improvements at the Theatre - \$74,000.

At the end of fiscal year 2009, the City had a total of five (5) capital project funds included in other governmental funds, with total fund balances of \$1,977,532, a decrease of \$1,802,214 from last year. These funds are all reserved for street maintenance projects, parks improvements, and other miscellaneous capital projects. Expenditures in the other non-major bond funds totaled \$1,765,825 for the fiscal year, and involved several different projects, including 2008 Street Reconstruction Projects (\$1,125,500), Farmer's Market (\$51,000), Bell Park Improvements (\$152,000), Plantivigne Drainage Project (\$152,500), Cowhorn Drainage Study (\$151,000) and improvements to the Central Fire Station (\$117,500).

**Proprietary funds** - the City's proprietary funds, primarily the Texarkana Water Utilities system, provide the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net assets for business-type activities at the end of the fiscal year amounted to \$4,777,364. The decrease in unrestricted net assets for the year was \$850,248, partially due to restrictions for increases in the Capital Improvement Fund, Infrastructure Fund, capital maintenance funds, and debt service funds. The capital funds were being replenished in 2009 to replace funds used previously for major projects along Interstate 30 and others. Unrestricted net assets increased in the amount of \$300,379 due to normal changes to depreciable assets, net of depreciation and debt. Finally, unrestricted net assets decreased in the amount of \$102,722 due to the current year operating loss. Increases in water and sewer rates implemented in 2009 resulted in a 6.4% increase in total revenues in spite of the fact that water production was down by 6.8%, due to the reduced demand caused by the unusually high rainfall for the year. However, offsetting the increase in revenues was a 14% increase in operating expenses due to a multitude of factors. The increase in the cost of chemicals amounted to \$877,046 which was 45% of the total increase in operating expenses. Other major increases were salaries and benefits for regular and temporary employees totaling \$317,177 and increases in the cost of power in the amount of \$146,694.

The City uses three (3) internal service funds. The Employee Benefit Fund accounts for contributions received from other City funds and employees to pay medical benefits and life insurance premiums. The unrestricted net assets in this fund at the end of the fiscal year were \$1,941,080, an increase from last year of \$455,308 (30.6%). The increase was due to the rate of



City contribution and fund earnings exceeding the amount of claims paid during the fiscal year. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net assets in the fund decreased by \$60,379 due to an excess of operating costs over revenue collected for the year.

The Capital Replacement Fund is a new fund that was set up to enable the timely replacement of fleet vehicles and equipment on a continuing basis. Although it was not funded this year, a small amount of seed funds was placed in the fund from the sale of equipment during this fiscal year, resulting in end of year net assets of \$17,000.

The City also maintains four (4) Fiduciary Funds. The Firemen's Relief Pension Trust Fund accounts for the retirement contributions made by the City's firefighters, and the contributions made on their behalf by the City. The fund's net assets increased by \$352,815 during this fiscal year, and net assets totaled \$21,945,550 at the end of the year. The increase is due to City and employee contributions and investment earnings, in excess of benefit payments and administration expenses. The three remaining fiduciary funds are agency funds. The Drug Enforcement Fund accounts for evidence money seized by the Police Department, and holds these funds until final disposition is directed by the courts. This fund had a cash balance of \$103,765 at the end of the fiscal year. The Police Evidence Fund accounts for all funds seized by the Police Department during its apprehension of suspects and subsequent case investigations. The cash balance in the fund at the end of the year was \$10,850. The Federal Asset Forfeiture Fund is used to receive and hold funds from federal asset forfeiture cases based on a sharing agreement. It is separate from other forfeitures because it requires electronic deposit rights from Washington. The balance in the fund at the end of the year was \$1,293.

### **General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a decrease of budgeted expenditures from the original budget of \$739,613. The decrease was due mainly to a City-wide policy of review and prior justification before any vacant personnel positions were filled, continued review of the City's departmental structure which resulted in some internal restructuring, normal attrition and retirements that were not replaced, and a regulated spending policy by all departments. Revenues increased from the original to final budgets by \$629,576. Property tax collections were slightly higher than expected, and sales taxes were projected to increase by just over one percent (1%), adding \$147,000 to the budget. Franchise receipts and charges for services were budgeted at a slight decline from original levels, while municipal court fines were expected to increase by around twenty-six percent (26%), due to stepped up enforcement activities and implementation of a commercial vehicle enforcement unit. Grants and Entitlements were projected to remain close to original budget, while investment and rental income were budgeted higher than the original budget, due to slightly better returns than originally expected. Intergovernmental and other revenues were budgeted to increase only by a small amount over the original budget. The net result was expected to be a positive variance to fund balance on the final budget of just over \$1,350,000.

### **Capital Assets and Debt Administration**

Capital assets – the City's investment in total capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$180,012,270 (net of accumulated depreciation), compared to \$181,840,379 in 2008. Investment in capital assets related to governmental activities (\$111,791,284) includes land, building improvements, machinery and

equipment, licensed vehicles, property under capital leases, infrastructure and construction in progress. Investment in capital assets related to business-type activities amounted to \$68,220,986 and includes land, buildings, improvements, machinery and equipment, licensed vehicles, property under capital leases, water rights, construction in progress, raw water transmission lines and pumping facilities, water purification plant and distribution system, wastewater treatment plants and collection system. Investments in business-type capital assets decreased by \$1,627,340 during this year reflecting the net of additions and disposals of various capital assets and charges for depreciation expense.

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

- Completion of 32<sup>nd</sup> Street Drainage Project - \$367,008.
- Completion of Richmond Road ROW - \$187,212.
- Completion of Walton Drive Project - \$1,652,019.
- Completion of Fire Training Facility - \$791,009.
- Completion of various parks facilities improvements - \$500,550.
- Completion of the 2008 Street Reconstruction Project - \$1,125,537.
- Extensive work is underway on various street and drainage projects that were not completed at year end. These include street improvement projects including Waco Street, Kilgore Street, Scott Wright Road, Morris Lane, North Hill Reconstruction and Texas A&M East Approach, as well as a drainage improvement project on Plantivigne Street.
- TWU water and sewer line extensions and relocations totaled \$395,885, equipment replacements and upgrades for South Regional Wastewater Plant were \$112,138, and Computer/GIS equipment and software purchases and enhancements totaled \$106,794, which included a new bucket truck for the fiber optics crew costing \$70,932.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Land	\$ 44,002,429	43,622,977	1,314,209	1,161,852	45,316,638	44,784,829
Buildings	12,574,964	12,192,925	1,401,809	1,432,641	13,976,773	13,625,566
Improvements other than buildings	2,160,551	1,762,190	52,342,624	49,620,973	54,503,175	51,383,163
Machinery and equipment	861,602	930,967	1,414,729	1,636,975	2,276,331	2,567,942
Licensed vehicles	1,794,934	2,280,799			1,794,934	2,280,799
Infrastructure	46,654,522	46,002,772			46,654,522	46,002,772
Construction in progress	3,742,282	5,199,423	1,013,014	4,875,500	4,755,296	10,074,923
Water rights			23,046	34,569	23,046	34,569
Property under capital lease			10,711,555	11,085,816	10,711,555	11,085,816
	<u>\$ 111,791,284</u>	<u>111,992,053</u>	<u>68,220,986</u>	<u>69,848,326</u>	<u>180,012,270</u>	<u>181,840,379</u>

Additional information on the City's capital assets can be found in Note 6 in this report on pages 65- 67.

**Debt Administration**

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$53,895,096. Of this amount, \$37,725,149 comprises debt backed by the full faith and credit of the City. The remainder of the City’s debt is secured by specified revenue sources. At the end of fiscal year 2009, this amount was \$16,169,947.

**OUTSTANDING DEBT AT YEAR END**

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 17,867,429	19,301,168			17,867,429	19,301,168
Revenue bonds			4,961,046	5,963,214	4,961,046	5,963,214
Certificates of obligation	19,857,720	20,617,040			19,857,720	20,617,040
Capital Leases	82,959	208,852	5,674,537	5,900,543	5,757,496	6,109,395
Tax Notes	1,200,000	1,200,000			1,200,000	1,200,000
Accrued compensated absences	3,086,490	2,642,670	368,903	337,362	3,455,393	2,980,032
Net Pension and Other						
Postemployment Obligations	628,994		167,018		796,012	
	<u>\$ 42,723,592</u>	<u>43,969,730</u>	<u>11,171,504</u>	<u>12,201,119</u>	<u>53,895,096</u>	<u>56,170,849</u>

The City’s total debt decreased by \$2,275,755 (4.1%) during the current fiscal year. The City retired \$3,879,609 in outstanding debt, and recorded \$304,570 accretion on Capital Appreciation Bonds, issued \$27,913 in new capital leases, increased accrued compensated absences by \$475,361, and increased net pension and other post employment obligations by \$796,012 this year.

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

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

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City’s local property tax rate for this fiscal year was \$.5831 per \$100 assessed valuation of which \$.1753 per \$100 was for annual debt service.

Additional information on the City’s long-term debt can be found in Notes 16-17 on pages 76 – 81 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the City as of the fiscal year end was 7.2, up from 4.8 at the end of last year. This rate is significantly lower than the State rate (8.3), and National rate (9.5). This rate represents the first increase in the City's unemployment rate since 2003.

Sales tax collections are projected to comprise about forty percent (40%) of the City's proposed budget for the 2010 fiscal year. Collections are budgeted to increase at a rate of three percent (3%) over the final budgeted revenue for 2009.

Total assessed value of property within the City for the 2010 budget year (based on the 2009 certified valuation) increased by \$98,199,881 (4.3%) from last year. Tax revenues allocated to the Debt Service Fund next year will remain the same as the prior year at thirty percent (30%) of collections. The City Council has elected to keep the property tax rate the same as last year, at .5831 per \$100 valuation for the 2010 fiscal year. Total property tax collections are projected to increase by \$572,000 (4.4%), with \$400,000 going to the General Fund (70%), and \$172,000 going to the Debt Service Fund (30%).

Interest income and investment earnings are projected to increase from the prior year, as economic conditions have stabilized somewhat, although some volatility remains in the market.

Municipal court revenues are budgeted to increase by around five per cent (5%) due to increased compliance efforts by the police department and increased collection efforts by municipal court staff. Other revenues are budgeted conservatively, averaging an increase of around two percent (2%), reflecting unsure economic forecasts for the next budget year. Additional grant revenue is expected to be received from FEMA for disaster relief and hazard mitigation.

All of the above factors were considered in preparing the City's budget for the 2009 - 2010 fiscal year. The 2010 budget projects the use of \$551,949 of available General Fund balances, due to ongoing operating and personnel costs. The ending General Fund balance is projected to be approximately eleven percent (11%) of budgeted expenditures.

The Texas Revenue Fund of TWU is projected to end the 2009-2010 budget year with a balance of \$1,279,000, or approximately 8.3% of budgeted expenditures. TWU's budget proposes to gain approximately \$754,000 of available fund balance by the end of the 2009-2010 budget year.

## **Requests for Information**

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

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## **Basic Financial Statements**

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF NET ASSETS

September 30, 2009

	<i>Primary Government</i>			<i>Component Units</i>	
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>	<i>Library</i>
<b>ASSETS</b>					
Cash	\$ 5,828,234	888,702	6,716,936	463,352	481,545
Investments	8,701,000	825,000	9,526,000		387,386
Receivables (net of allowance for uncollectibles):					
Property taxes	999,354		999,354		
Other taxes	176,285		176,285		
Accounts	579,510	2,216,405	2,795,915	451	
Other government agencies	3,670,840	505,467	4,176,307	78,597	19,753
Accrued interest	20,269	595	20,864		306
Loans	1,903,397		1,903,397		
Internal balances	(568,505)	573,389	4,884		
Due from component unit	76		76		
Inventory	63,005	758,849	821,854		
Prepaid items		6,154	6,154		461
Restricted assets:					
Cash		4,368,172	4,368,172		
Investments		4,904,629	4,904,629		
Receivables:					
Accounts		93,728	93,728		
Accrued interest		5,207	5,207		
Deferred charges		1,305,896	1,305,896		
Net investment in direct financing lease:					
Due within one year		26,059	26,059		
Due in more than one year		89,579	89,579		
Investments in joint venture	9,139,457		9,139,457		
Capital assets (net of accumulated depreciation):					
Land	44,002,429	1,314,209	45,316,638		
Buildings	12,574,964	1,401,809	13,976,773	468,079	
Improvements other than buildings	2,160,551	52,342,624	54,503,175		
Infrastructure	46,654,522		46,654,522		
Machinery and equipment	861,602	1,414,729	2,276,331	3,581	117,381
Licensed vehicles	1,794,934		1,794,934		
Property under capital leases		10,711,555	10,711,555		
Water rights		23,046	23,046		
Construction in progress	3,742,282	1,013,014	4,755,296		
<b>TOTAL ASSETS</b>	<b>\$ 142,304,206</b>	<b>84,788,817</b>	<b>227,093,023</b>	<b>1,014,060</b>	<b>1,006,832</b>

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

	<i>Primary Government</i>			<i>Component Units</i>	
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>	<i>Library</i>
<b>LIABILITIES</b>					
Accounts payable	1,351,263	718,510	2,069,773	28,051	22,298
Contracts payable	153,280	30,156	183,436		
Accrued liabilities	1,007,226	299,356	1,306,582	41,415	22,354
Due to other governments		215	215		
Due to primary government			-	76	
Unearned revenue	646,921		646,921		
Accrued interest payable from restricted assets		33,508	33,508		
Customer deposits		597,435	597,435		
Capital improvement deposits		1,897,732	1,897,732		
Other liabilities and escrow deposits	17,319	34,281	51,600		
Long-term liabilities					
Due within one year:					
Bonds payable	1,511,228	500,000	2,011,228		
Certificates of obligation	670,000		670,000		
Tax notes	40,000		40,000		
Obligations under capital leases	72,929	292,868	365,797		
Accrued compensated absences	201,422	35,150	236,572		
Due in more than one year:					
Net pension and other postemployment obligations	628,994	167,018	796,012		
Bonds payable	16,356,201	4,461,046	20,817,247		
Certificates of obligation	19,187,720		19,187,720		
Tax notes	1,160,000		1,160,000		
Obligations under capital leases	10,030	5,381,669	5,391,699		
Accrued compensated absences	2,885,068	333,753	3,218,821		20,217
<b>TOTAL LIABILITIES</b>	<u>45,899,601</u>	<u>14,782,697</u>	<u>60,682,298</u>	<u>69,542</u>	<u>64,869</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	75,187,833	57,582,403	132,770,236	471,660	117,381
Restricted for:					
Public safety	16,786		16,786		
Parks and recreation	2,212,372		2,212,372		
Health and welfare	381,052		381,052		
Construction		6,874,185	6,874,185		135,170
Capital maintenance		43,977	43,977		
Debt service	1,987,400	728,191	2,715,591		
Library operations:					
Expendable					124,761
Nonexpendable					10,000
Unrestricted	16,619,162	4,777,364	21,396,526	472,858	554,651
<b>TOTAL NET ASSETS</b>	<u>\$ 96,404,605</u>	<u>70,006,120</u>	<u>166,410,725</u>	<u>944,518</u>	<u>941,963</u>



# CITY OF TEXARKANA, TEXAS

## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 6,636,040	978,806	457,359	
Public safety	16,017,900	2,148,979	842,937	
Public works	6,689,575	196,422	249,635	
Parks and recreation	2,726,053	155,445	83,055	
Health and welfare	1,710,261	220,492	880,797	
Miscellaneous	628,994			
Interest on long-term debt	1,868,860			
Total governmental activities	<u>36,277,683</u>	<u>3,700,144</u>	<u>2,513,783</u>	<u>-</u>
Business-type activities:				
Water and sewer	16,166,206	15,184,072		
Total business-type activities	<u>16,166,206</u>	<u>15,184,072</u>	<u>-</u>	<u>-</u>
Total primary government	<u>52,443,889</u>	<u>18,884,216</u>	<u>2,513,783</u>	<u>-</u>
<b>Component units</b>				
Component unit - Health	1,260,171	318,610	846,141	
Component unit - Library	892,132	45,555	614,494	47,895
Total component units	<u>\$ 2,152,303</u>	<u>364,165</u>	<u>1,460,635</u>	<u>47,895</u>

### General Revenues

Property taxes  
Sales taxes  
Franchise taxes  
Other taxes  
Unrestricted investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net assets

Net assets, beginning of year

Net assets end of year

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

*Net (Expense) Revenue and Changes in Net Assets*

<i>Primary Government</i>			<i>Component Units</i>	
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>	<i>Library</i>
(5,199,875)		(5,199,875)		
(13,025,984)		(13,025,984)		
(6,243,518)		(6,243,518)		
(2,487,553)		(2,487,553)		
(608,972)		(608,972)		
(628,994)		(628,994)		
(1,868,860)		(1,868,860)		
<u>(30,063,756)</u>	<u>-</u>	<u>(30,063,756)</u>	<u>-</u>	<u>-</u>
	(982,134)	(982,134)		
<u>-</u>	<u>(982,134)</u>	<u>(982,134)</u>	<u>-</u>	<u>-</u>
<u>(30,063,756)</u>	<u>(982,134)</u>	<u>(31,045,890)</u>	<u>-</u>	<u>-</u>
			(95,420)	
			<u>(95,420)</u>	<u>(184,188)</u>
				<u>(184,188)</u>
13,346,908		13,346,908		240,831
13,392,204		13,392,204		
2,196,103		2,196,103		
1,183,855		1,183,855	116	
198,386	94,880	293,266		27,998
1,486,346	943,294	2,429,640	9,034	
18,900	(18,900)	-		
<u>31,822,702</u>	<u>1,019,274</u>	<u>32,841,976</u>	<u>9,150</u>	<u>268,829</u>
1,758,946	37,140	1,796,086	(86,270)	84,641
<u>94,645,659</u>	<u>69,968,980</u>	<u>164,614,639</u>	<u>1,030,788</u>	<u>857,322</u>
<u>\$ 96,404,605</u>	<u>70,006,120</u>	<u>166,410,725</u>	<u>944,518</u>	<u>941,963</u>

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2009

	<i>General</i>	<i>2003 Bond Capital Projects</i>	<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>					
Cash	\$ 2,414,968	292,482	130,082	2,250,119	5,087,651
Investments	251,000	1,750,000	1,550,000	3,650,000	7,201,000
Receivables (net of allowance for uncollectible):					
Property taxes	49,041		21,088		70,129
Other taxes				176,285	176,285
Accounts	230,251	2,780		528	233,559
Other government agencies	3,621,204			36,195	3,657,399
Accrued interest	96	7,161	6,812	6,779	20,848
Loans	209,738			1,693,659	1,903,397
Due from other funds	491,960			2,525	494,485
Due from component units	10				10
Inventory	3,458				3,458
Investment in joint venture	82,202				82,202
<b>TOTAL ASSETS</b>	<u>7,353,928</u>	<u>2,052,423</u>	<u>1,707,982</u>	<u>7,816,090</u>	<u>18,930,423</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	893,027	29,544		122,957	1,045,528
Contracts payable		115,443		37,837	153,280
Accrued payroll	976,660			9,065	985,725
Due to other funds	99,413			335,219	434,632
Deferred revenue	206,393				206,393
Unearned revenue				646,921	646,921
Other liabilities and escrow deposits	8,817			8,502	17,319
<b>TOTAL LIABILITIES</b>	<u>2,184,310</u>	<u>144,987</u>	<u>-</u>	<u>1,160,501</u>	<u>3,489,798</u>
Fund Balances:					
Reserved for:					
Inventory	3,458				3,458
Noncurrent receivables				500,616	500,616
Capital improvements		1,907,436		1,355,406	3,262,842
Building maintenance				586,574	586,574
Scholarships				6,282	6,282
Joint venture	82,202				82,202
Court security	286,708				286,708
Unreserved, designated for, reported in:					
Subsequent expenditures	551,949				551,949
Convention center				1,183,828	1,183,828
Unreserved, reported in:					
General fund	4,245,301				4,245,301
Special revenue fund				2,400,757	2,400,757
Debt service fund			1,707,982		1,707,982
Capital projects fund				622,126	622,126
<b>TOTAL FUND BALANCES</b>	<u>5,169,618</u>	<u>1,907,436</u>	<u>1,707,982</u>	<u>6,655,589</u>	<u>15,440,625</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,353,928</u>	<u>2,052,423</u>	<u>1,707,982</u>	<u>7,816,090</u>	<u>18,930,423</u>

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

# CITY OF TEXARKANA, TEXAS

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## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS September 30, 2009

Total governmental funds balances	\$ 15,440,625
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	111,617,679
Receivables reported in the statement of net assets that are not available to provide current financial resources are not reported as receivables in the funds.	1,273,524
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	206,393
Internal service funds are used by management to charge the costs of insurance and fleet services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,532,721
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(43,152,684)
Loss on the refunding of long term debt is not a use of financial resources and therefore is not reported in the funds.	429,092
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>9,057,255</u>
Net assets of governmental activities	<u><u>\$ 96,404,605</u></u>

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

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended September 30, 2009

	<i>General</i>	<i>2003 Bond Capital Projects</i>	<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>REVENUES</b>					
Property taxes	\$9,272,203		3,989,299		13,261,502
Other taxes	13,494,702			1,085,149	14,579,851
Franchise receipts	1,788,151			407,952	2,196,103
Fees and permits	395,834				395,834
Charges for services	642,432			35,171	677,603
Municipal court	2,051,942				2,051,942
Grants and entitlements	294,733			888,195	1,182,928
Rental	16,938				16,938
Interest and dividends	40,266	36,198	26,995	69,580	173,039
Intergovernmental	451,948			55,767	507,715
Sale of capital assets				149,495	149,495
Other	759,801			9,130	768,931
Total revenues	<u>29,208,950</u>	<u>36,198</u>	<u>4,016,294</u>	<u>2,700,439</u>	<u>35,961,881</u>
<b>EXPENDITURES</b>					
Current:					
General government	6,123,996			202,085	6,326,081
Public safety	15,128,723			49,445	15,178,168
Public works	4,036,371				4,036,371
Parks and recreation	1,580,483			579,348	2,159,831
Health and welfare	912,430			585,202	1,497,632
Miscellaneous	9,609				9,609
Capital outlay	454,012	1,430,464		1,765,825	3,650,301
Debt service:					
Principal retirement	125,087		2,560,000		2,685,087
Interest and fiscal charges	6,129		1,496,596		1,502,725
Total expenditures	<u>28,376,840</u>	<u>1,430,464</u>	<u>4,056,596</u>	<u>3,181,905</u>	<u>37,045,805</u>
Excess (deficiency) of revenues over expenditures	<u>832,110</u>	<u>(1,394,266)</u>	<u>(40,302)</u>	<u>(481,466)</u>	<u>(1,083,924)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	114,222			373,975	488,197
Transfers out	(68,212)			(401,085)	(469,297)
Total other financing sources (uses)	<u>46,010</u>	<u>-</u>	<u>-</u>	<u>(27,110)</u>	<u>18,900</u>
Net change in fund balances	878,120	(1,394,266)	(40,302)	(508,576)	(1,065,024)
Fund balances at beginning of year	<u>4,291,498</u>	<u>3,301,702</u>	<u>1,748,284</u>	<u>7,164,165</u>	<u>16,505,649</u>
Fund balances at end of year	<u>\$5,169,618</u>	<u>1,907,436</u>	<u>1,707,982</u>	<u>6,655,589</u>	<u>15,440,625</u>

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

# CITY OF TEXARKANA, TEXAS

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2009

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

Net change in fund balances - total governmental funds	\$ (1,065,024)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(159,997)
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The Statement of Activities reports a gain or loss of the sale of the assets based on the proceeds received and the net book value of the assets at the time of disposal. This amount is the net effect of the difference between the cost of assets disposed and the accumulated depreciation of assets disposed.	(25,448)
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Revenues for property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	231,222
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Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they were collected. This is the net amount of the revenue differences as a result of deferrals because of the availability criterion under the modified accrual basis of accounting.	124,166
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. Also governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	1,689,958
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Compensated absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	(443,820)
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Internal service funds are used by management to charge the costs of insurance and fleet services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	272,269
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Increases from the equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>1,135,620</u>
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Change in net assets of governmental activities	<u><u>\$ 1,758,946</u></u>
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*The notes to the financial statements are an integral part of this statement.*

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2009

	<i>Budgeted Amounts</i>	
	<u>Original</u>	<u>Final</u>
<b>REVENUES</b>		
Property taxes	\$8,987,875	9,040,000
Other taxes	13,456,100	13,603,285
Franchise receipts	1,847,920	1,844,140
Fees and permits	305,600	372,060
Charges for services	703,675	690,875
Municipal court	1,699,170	2,150,900
Grants and entitlements	260,000	255,441
Rental	36,475	19,100
Investment earnings	199,040	178,658
Intergovernmental	343,320	460,308
Other	301,650	155,634
Total revenues	<u>28,140,825</u>	<u>28,770,401</u>
<b>EXPENDITURES</b>		
Current:		
General government	6,187,729	5,581,427
Public safety	15,354,398	15,583,081
Public works	4,521,797	4,416,289
Parks and recreation	1,686,233	1,570,872
Health and welfare	853,582	728,629
Miscellaneous	11,060	11,060
Capital outlay	78,479	62,300
Debt service:		
Principal	123,988	125,072
Interest	7,325	6,248
Total expenditures	<u>28,824,591</u>	<u>28,084,978</u>
Excess (deficiency) of revenue over expenditures	<u>(683,766)</u>	<u>685,423</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	83,900	72,150
Transfers out		
Total other financing sources (uses)	<u>83,900</u>	<u>72,150</u>
Net change in fund balance	(599,866)	757,573
Fund balances at beginning of year	<u>4,291,498</u>	<u>4,291,498</u>
Fund balance at end of year	<u>\$3,691,632</u>	<u>5,049,071</u>

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

<i>Actual</i>	<i>Actual Amounts Adjustments to Budgetary Basis</i>	<i>Actual on a Budgetary Basis</i>	<i>Variance with Final Budget Over (Under)</i>
\$ 9,272,203		9,272,203	232,203
13,494,702		13,494,702	(108,583)
1,788,151		1,788,151	(55,989)
395,834		395,834	23,774
642,432		642,432	(48,443)
2,051,942		2,051,942	(98,958)
294,733		294,733	39,292
16,938		16,938	(2,162)
40,266		40,266	(138,392)
451,948		451,948	(8,360)
759,801		759,801	604,167
<u>29,208,950</u>	<u>-</u>	<u>29,208,950</u>	<u>438,549</u>
6,123,996		6,123,996	(542,569)
15,128,723	(76,453)	15,052,270	530,811
4,036,371	(46,433)	3,989,938	426,351
1,580,483	(2,262)	1,578,221	(7,349)
912,430		912,430	(183,801)
9,609		9,609	1,451
454,012		454,012	(391,712)
125,087		125,087	(15)
6,129		6,129	119
<u>28,376,840</u>	<u>(125,148)</u>	<u>28,251,692</u>	<u>(166,714)</u>
<u>832,110</u>	<u>125,148</u>	<u>957,258</u>	<u>271,835</u>
114,222		114,222	42,072
(68,212)		(68,212)	(68,212)
<u>46,010</u>	<u>-</u>	<u>46,010</u>	<u>(26,140)</u>
878,120	125,148	1,003,268	245,695
<u>4,291,498</u>	<u>4,291,498</u>	<u>4,291,498</u>	<u>-</u>
<u>5,169,618</u>	<u>4,416,646</u>	<u>5,294,766</u>	<u>245,695</u>



# CITY OF TEXARKANA, TEXAS

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS September 30, 2009

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 756,533	132,169	888,702	740,583
Investments	825,000		825,000	1,500,000
Receivables (net of allowance for uncollectible):				
Accounts	2,169,620	46,785	2,216,405	
Accrued interest	595		595	1,073
Other government agencies	505,467		505,467	13,441
Due from other funds	94,098	55	94,153	125,490
Due from component units			-	66
Inventory	758,849		758,849	59,547
Prepaid expenses	6,154		6,154	
Net investment in direct financing leases - current	26,059		26,059	
Total current assets	<u>5,142,375</u>	<u>179,009</u>	<u>5,321,384</u>	<u>2,440,200</u>
Noncurrent assets:				
Restricted assets:				
Cash	4,174,052	194,120	4,368,172	
Investments	3,553,357	1,351,272	4,904,629	
Receivables:				
Accounts		93,728	93,728	
Accrued interest	3,855	1,352	5,207	
Total restricted assets	<u>7,731,264</u>	<u>1,640,472</u>	<u>9,371,736</u>	<u>-</u>
Other noncurrent assets:				
Deferred charges	1,305,896		1,305,896	
Net investment in direct financing leases	89,579		89,579	
Total other noncurrent assets	<u>1,395,475</u>	<u>-</u>	<u>1,395,475</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,314,209		1,314,209	
Buildings	1,401,809		1,401,809	116,978
Improvements other than buildings	52,342,624		52,342,624	28,994
Machinery and equipment	1,414,729		1,414,729	27,633
Property under capital leases	10,711,555		10,711,555	
Water rights	23,046		23,046	
Construction in progress	1,013,014		1,013,014	
Total capital assets	<u>68,220,986</u>	<u>-</u>	<u>68,220,986</u>	<u>173,605</u>
Total noncurrent assets	<u>77,347,725</u>	<u>1,640,472</u>	<u>78,988,197</u>	<u>173,605</u>
<b>TOTAL ASSETS</b>	<u>\$ 82,490,100</u>	<u>1,819,481</u>	<u>84,309,581</u>	<u>2,613,805</u>

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

**Business Type Activities - Enterprise Funds**

	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	658,114	60,396	718,510	305,735
Construction contracts payable	30,156		30,156	
Accrued liabilities	294,535	4,821	299,356	21,501
Accrued interest	33,508		33,508	
Due to other funds	55	94,098	94,153	180,459
Due to other governments		215	215	
Other payables	34,281		34,281	
Accrued compensated absences - current	35,150		35,150	
Revenue bonds - current	500,000		500,000	
Obligations under capital leases - current	292,868		292,868	
<b>Total current liabilities</b>	<u>1,878,667</u>	<u>159,530</u>	<u>2,038,197</u>	<u>507,695</u>
Noncurrent liabilities:				
Customer deposits	597,435		597,435	
Capital improvement deposits	237,781	1,659,951	1,897,732	
Accrued compensated absences	333,753		333,753	
Net pension and other postemployment obligations	167,018		167,018	
Revenue bonds	4,461,046		4,461,046	
Obligations under capital leases	5,381,669		5,381,669	
<b>Total noncurrent liabilities</b>	<u>11,178,702</u>	<u>1,659,951</u>	<u>12,838,653</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>13,057,369</u>	<u>1,819,481</u>	<u>14,876,850</u>	<u>507,695</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	57,582,403		57,582,403	173,605
Restricted for construction	6,874,185		6,874,185	
Restricted for capital maintenance	43,977		43,977	
Restricted for debt service	728,191		728,191	
Unrestricted	4,203,975		4,203,975	1,932,505
<b>TOTAL NET ASSETS</b>	<u>\$ 69,432,731</u>	<u>-</u>	<u>69,432,731</u>	<u>2,106,110</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.			<u>573,389</u>	
Net assets of business-type activities			<u>\$ 70,006,120</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended September 30, 2009

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>OPERATING REVENUES</b>				
Water sales	\$ 5,430,813	1,008,540	6,439,353	
Wholesale water sales	1,700,643		1,700,643	
Water connection fees	3,150		3,150	
Sewer charges	6,543,924		6,543,924	
Penalties and service charges	497,002		497,002	
Insurance contributions			-	4,365,121
Fleet services			-	1,493,600
Other income	943,294		943,294	5,314
Total operating revenues	<u>15,118,826</u>	<u>1,008,540</u>	<u>16,127,366</u>	<u>5,864,035</u>
<b>OPERATING EXPENSES</b>				
Administrative	197,409		197,409	
Finance	852,578		852,578	
Customer service	511,540		511,540	
Water production	3,249,369		3,249,369	
Water distribution	1,021,557		1,021,557	
Sewer collection	1,018,319		1,018,319	
Wastewater treatment	2,583,287		2,583,287	
Environmental service	153,732		153,732	
Engineering design	489,208		489,208	
Geographical information systems	217,572		217,572	
Composting	178,600		178,600	
Operations administration	184,827		184,827	
Service center	211,020		211,020	
Safety	52,254		52,254	
Field service	330,731		330,731	
Benefit payments			-	3,939,533
Fleet services			-	1,539,579
Depreciation	2,646,684		2,646,684	15,324
Other expenses	896,937		896,937	
Contract water & sewer expense-International Paper		1,010,037	1,010,037	
Total operating expense	<u>14,795,624</u>	<u>1,010,037</u>	<u>15,805,661</u>	<u>5,494,436</u>
Operating income (loss)	<u>323,202</u>	<u>(1,497)</u>	<u>321,705</u>	<u>369,599</u>

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

**Business Type Activities - Enterprise Funds**

	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue - investments	83,525	1,497	85,022	25,348
Interest revenue - capital leases	9,858		9,858	
Interest expense and paying agent fees	(239,608)		(239,608)	
Interest expense - capital leases	(257,717)		(257,717)	
Gain (loss) on disposal of fixed assets	(3,082)		(3,082)	17,184
Other revenues (expenses)			-	
Total nonoperating revenues (expenses)	<u>(407,024)</u>	<u>1,497</u>	<u>(405,527)</u>	<u>42,532</u>
Income before contributions and transfers	(83,822)	-	(83,822)	412,131
Transfers in (out)	<u>(18,900)</u>		<u>(18,900)</u>	
Change in net assets	(102,722)	-	(102,722)	412,131
Total net assets, beginning of year	<u>69,535,453</u>	<u>-</u>		<u>1,693,979</u>
Total net assets, end of year	<u>\$ 69,432,731</u>	<u>-</u>		<u>2,106,110</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue of certain internal service funds is reported with business-type activities.			<u>139,862</u>	
Change in net assets of business-type activities			<u>\$ 37,140</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2009

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$15,049,160	1,160,702	16,209,862	1,277,089
Cash received from interfund services provided and used			-	4,497,623
Cash paid to suppliers	(7,978,295)	(919,974)	(8,898,269)	(5,015,345)
Cash paid to employees	(3,979,694)	(110,124)	(4,089,818)	(331,065)
Net cash provided from operating activities	<u>3,091,171</u>	<u>130,604</u>	<u>3,221,775</u>	<u>428,302</u>
<b>Cash flows from non-capital financing activities:</b>				
Transfers to City general fund	(18,900)		(18,900)	
Net cash used from non-capital financing activities	<u>(18,900)</u>	<u>-</u>	<u>(18,900)</u>	
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(1,390,384)	(174,856)	(1,565,240)	
Principal paid on bonds	(1,020,000)		(1,020,000)	
Interest paid on bonds	(228,506)		(228,506)	
Principal paid on capital leases	(306,539)		(306,539)	
Interest paid on capital leases	(205,098)		(205,098)	
Principal received on direct financing leases	200,331		200,331	
Interest received on direct financing leases	9,858		9,858	
Capital improvement deposits paid	(82,756)		(82,756)	
Capital improvement deposits received	402,817	103,213	506,030	
Interest received on capital improvement deposits		24,294	24,294	
Proceeds from disposal of capital assets				17,184
Net cash provided (used) from capital and related financing activities	<u>(2,620,277)</u>	<u>(47,349)</u>	<u>(2,667,626)</u>	<u>17,184</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(10,206,715)	(3,202,545)	(13,409,260)	(3,000,000)
Proceeds from sale and maturities of investments	10,123,357	3,251,272	13,374,629	1,700,000
Interest received on investments	100,245	3,107	103,352	26,045
Net cash provided (used) from investing activities	<u>16,887</u>	<u>51,834</u>	<u>68,721</u>	<u>(1,273,955)</u>
Net increase (decrease) in cash	468,881	135,089	603,970	(828,469)
Cash, beginning of year	<u>4,461,704</u>	<u>191,200</u>	<u>4,652,904</u>	<u>1,569,052</u>
Cash, end of year	<u>\$ 4,930,585</u>	<u>326,289</u>	<u>5,256,874</u>	<u>740,583</u>

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

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended September 30, 2009

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>				
Operating income (loss)	\$ 323,202	(1,497)	321,705	369,599
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
Depreciation expense	2,646,684		2,646,684	15,324
Amortization of bond issuance cost	28,091		28,091	
(Increase) decrease in assets:				
Accounts receivable	(217,456)	152,217	(65,239)	
Allowance for doubtful accounts	(1,853)		(1,853)	
Due from other government agencies			-	7,175
Due from other funds	200,337	(1,141)	199,196	(98,124)
Due from component units				1,626
Inventory	68,529		68,529	(2,604)
Prepaid expenses	1,619		1,619	
Increase (decrease) in liabilities:				
Accounts payable	(46,889)	(24,797)	(71,686)	
Accrued liabilities	48,776	1,357	50,133	(21,047)
Due to other funds	(150,029)	4,465	(145,564)	156,353
Accrued compensated absences	31,540		31,540	
Customer deposits	21,655		21,655	
Net pension and other postemployment obligations	167,018		167,018	
Other payables	(30,053)		(30,053)	
Total adjustments	<u>2,767,969</u>	<u>132,101</u>	<u>2,900,070</u>	<u>58,703</u>
Net cash provided (used) from operating activities	<u>\$ 3,091,171</u>	<u>130,604</u>	<u>3,221,775</u>	<u>428,302</u>

### **Supplementary Schedule of Noncash Transactions Affecting Financial Position**

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

	Texas Utilities
Capital lease	(27,913)
Net additions	<u>(27,913)</u>

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

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS September 30, 2009

	<i>Firemen's Relief Pension Trust Fund</i>	<i>Agency Funds</i>
<b>ASSETS</b>		
Cash	\$ 220,250	115,908
Investments, at fair value		
U.S. Government securities	4,068,009	
Corporate bonds	2,915,573	
Corporate stock	14,733,838	
Accrued interest receivable	13,708	
<b>TOTAL ASSETS</b>	<u>21,951,378</u>	<u>115,908</u>
 <b>LIABILITIES</b>		
Accounts payable	944	
Due to other funds	4,884	
Escrow deposits		<u>115,908</u>
<b>TOTAL LIABILITIES</b>	<u>5,828</u>	<u>115,908</u>
 <b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>21,945,550</u>	
<b>TOTAL NET ASSETS</b>	<u><u>\$21,945,550</u></u>	<u><u>-</u></u>

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

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND For the Year Ended September 30, 2009

	<i>Firemen's Relief Pension Trust Fund</i>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 593,552
Employee	477,908
Investment earnings:	
Interest	741,610
Net increase in the fair value of investments	43,877
<b>TOTAL ADDITIONS</b>	<u>1,856,947</u>
<b>DEDUCTIONS</b>	
Benefit payments	1,318,634
Administrative expenses	185,498
<b>TOTAL DEDUCTIONS</b>	<u>1,504,132</u>
Change in net assets	352,815
Net assets at beginning of year	<u>21,592,735</u>
Net assets at end of year	<u><u>\$21,945,550</u></u>

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



# CITY OF TEXARKANA, TEXAS

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2009

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *A. REPORTING ENTITY*

The City of Texarkana, Texas was incorporated on April 5, 1960 under the provisions of Vernon's Civil Statutes Article 1175 (1) as amended (Home Rule Enabling Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Texarkana, Texas (the primary government) and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column of the financial statements to emphasize it is legally separate from the government.

#### *B. INDIVIDUAL COMPONENT UNIT DISCLOSURES- Discretely Presented Component Unit*

The **Texarkana -Bowie County Family Health Center**, a public health district as established under Texas Civil Statutes, was organized by a cooperative agreement between the City and Bowie County, Texas. Because 7 of the 12 members of the governing body serve by virtue of the position each holds with the primary government, management has concluded that the primary government effectively appoints a voting majority of the governing body. Management believes that failure to include the Health Center would render the City's financial statement incomplete or misleading. The remaining 5 members of the Health Center governing body are the Bowie County Commissioners Court members. The City provides the facilities, a majority of the operating funds, and fiscal management of the Center. The City contributed \$114,891 towards the Health Center's operations during the year ended September 30, 2009. The Health Center does not have separately issued financial statements.

The **Texarkana Public Library** is a joint venture between the Cities of Texarkana, Texas and Texarkana, Arkansas. The library is governed by the Texarkana Public Library Commission Trustees, appointed by the Cities of Texarkana, Texas and Texarkana, Arkansas. Each City appoints five members to the Library Commission. Each City subsidizes the Library which is located within the geographic boundaries of the City of Texarkana, Texas. Currently, the ratio of subsidies provided from the Cities is approximately two-thirds from Texarkana, Texas and one-third from Texarkana, Arkansas. The Library is fiscally dependent on its subsidy from the City of Texarkana, Texas since its subsidy is over fifty percent of the Library's revenue. The City of Texarkana, Texas processes the Library's payroll. Library employees are covered under the City of Texarkana, Texas retirement system. The City provides the facility from which the Library operates. The City contributed \$433,820 toward the Library's operations during the year ended September 30, 2009. Complete financial statements for the Library may be obtained at the Library's administrative office at 600 West Third Street, Texarkana, Texas.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **C. RELATED ORGANIZATIONS**

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council or specific committees of the City Council appoint members of the following organizations: Board of Adjustment, Ark-Tex Council of Governments, Building Code Revision Committee, Building and Standards Commission, Civil Service Commission, CDBG Citizens Advisory Committee, Electrical Examining Board, Health Facilities Development Corporation, Historic Landmark Preservation Commission, Hospital Authority Board of Directors, Texarkana Housing Authority, Housing Review Board, Housing Finance Corporation, Industrial Development Corporation, Intergovernmental Advisory Committee, Library Commission, Northeast Texas Mental Health/Mental Retardation (MHMR) Board of Trustees, Permit and License Appeal Board, Planning and Zoning Commission, Plumbing Appeals and Advisory Board, Public Responsibility Committee (MHMR), Commercial Loan Committee and Texarkana Housing Coordinating Board. Positions on these boards are appointed in certain instances in entirety, partially, or with City Board members.

## **D. JOINT VENTURES**

### Texarkana Airport Authority

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

Each City originally contributed assets to the Airport Authority of \$570,075 by Texarkana, Texas and \$805,332 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2006, the City of Texarkana, Texas contributed \$43,413 and the City of Texarkana, Arkansas contributed \$17,023. The City of Texarkana, Texas' net investment in the Airport Authority is reported in the City's financial statements with governmental activities capital assets. The City's equity interest in the Airport Authority was \$7,904,714 at December 31, 2008. Complete financial statements for the Authority can be obtained from the Texarkana Airport Authority's administrative office.

### Bi-State Justice Center

The City is also a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Arkansas and Bowie County, Texas. The Bi-State Justice Center is jointly occupied by law enforcement and criminal justice agencies of the City of Texarkana, Texas; the City of Texarkana, Arkansas; and Bowie County, Texas. The facility is located on the state line, half in Texarkana, Texas and half in Texarkana, Arkansas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven member committee is comprised of two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, the Bowie County Judge, one

# CITY OF TEXARKANA, TEXAS

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## *Notes to the financial statements continued.*

Bowie County Commissioner, and one independent member. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, number of records processed by the Building Information Center and the number of prisoners in the detention facility for each entity. Each year's revenues and expenditures are equal; therefore, there is never a net income or loss and no fund balance.

The City of Texarkana, Texas' net investment, which consists of capital outlay in the Bi-State Justice Center, is reported in the City's financial statements with governmental activities capital assets. The City's equity interest at September 30, 2009 was \$181,109 based on the Bi-State Justice Center's audited financial statements at December 31, 2008 (the latest available). As described in Note 19, the City has outstanding debt totaling \$2,430,000 at September 30, 2009, which is considered to be conduit debt in accordance with governmental accounting standards. The debt was issued or obtained by the City on behalf of the Bi-State Justice Center. Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

### Bowie Central Appraisal District

The City is a participant with the other taxing jurisdictions of Bowie County in the Bowie Central Appraisal District. The Appraisal District is responsible for appraising property for ad valorem purposes for each taxing unit that imposes ad valorem taxes on property in the County. In July 1986, the Appraisal District began collecting taxes for some of the jurisdictions. The Bowie Central Appraisal District is governed by a board of directors chosen by vote of the governing bodies of the taxing jurisdictions. Board members serve two-year terms. The taxing jurisdictions of Bowie County have both an ongoing financial responsibility and financial interest in the Appraisal District.

The City of Texarkana, Texas' net investment in this joint venture is reported in the City's financial statements in the General Fund since the joint venture does not represent equity primarily in capital assets. The City's equity interest at September 30, 2009 was \$82,202 based on the Appraisal District's audited financial statements at December 31, 2008 (the latest available). Complete financial statements for the Appraisal District can be obtained from the Bowie Central Appraisal District in New Boston, Texas.

### Texarkana Urban Transportation Study (TUTS)

The City of Texarkana, Texas is a participant with seven other entities in the Texarkana Urban Transportation Study (TUTS) Policy Committee, which is the designated metropolitan planning organization (MPO) for the Texarkana urbanized area. The MPO develops transportation plans and programs in cooperation with the participating entities and transit agencies. The governing body of the TUTS consists of fourteen members, three of whom are representatives of the City of Texarkana, Texas; three of whom are representatives of the City of Texarkana, Arkansas; the Bowie County Judge, the Miller County Judge, the Mayor of the City of Wake Village, Texas; the Mayor of the City of Nash, Texas; two representatives for the Arkansas State Highways and Transportation Department; and two representatives for the Texas Department of Transportation. The TUTS may receive federal, state, and local funding for metropolitan transportation planning for the integrated network of federal, state, and local roads and highways. The City has an ongoing financial responsibility of the TUTS since its continued existence depends on continued funding by the City.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The City of Texarkana, Texas' net investment in the joint venture is reported in the City's financial statements in the General Fund since the joint venture does not represent equity primarily in capital assets. The City's interest at September 30, 2009 was \$0 based on the Texarkana Urban Transportation Study Policy Committee's audited financial statements at September 30, 2009. The TUTS does not have separately issued financial statements for the year ended September 30, 2009.

## Texarkana Urban Transit District

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

The City of Texarkana, Texas' net investment in the joint venture is reported in the City's financial statements with governmental activities capital assets since the joint venture represents equity primarily in capital assets. The City's interest at September 30, 2009 was \$971,432 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2009. The TUTD does not have separately issued financial statements for the year ended September 30, 2009.

## ***E. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

The government-wide financial statements consist of the statement of net assets and the statement of activities. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds as well as fiduciary funds even though they are excluded from the government-wide financial statements. Major

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

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

## ***F. BASIS OF ACCOUNTING***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements, with the exception of agency funds. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Revenue sources such as property taxes, sales tax, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service - This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs of all of the City's long-term general obligation debt of governmental funds.

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

The City reports the following major proprietary funds:

Texarkana, Texas Water Utilities- This fund is used to account for water and sewer services provided to the citizens of Texarkana, Texas and other incorporated and unincorporated areas adjacent to the City.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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Additionally, the City reports the following types of funds:

Internal Service Funds - These funds are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has two internal service funds. One fund is used to account for employee medical benefits and life insurance premiums for covered City employees. The other fund is used to account for the repair and maintenance of all vehicles and equipment owned by the City except for the Water Utilities.

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

Agency Funds - These funds are used to account for evidence money seized by the police department and held in escrow until the court directs its disposition.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting and reporting its government-wide and proprietary operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Texarkana, Texas Water Utilities, as well as the City's internal service funds are charges to customers for sales and services. Texarkana, Texas Water Utilities also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **G. ASSETS, LIABILITIES, AND NETS ASSETS OR EQUITY**

### **1. Deposits and investments**

The City's cash and cash equivalents include amounts in demand and time deposit accounts. The City classifies all certificates of deposit as investments. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

The Firemen's Relief and Pension Trust Fund is authorized to invest in bonds or other interest-bearing obligations and securities of the United States, the State of Texas, or any county, city or other political subdivision of the State of Texas; in insured shares or share accounts of savings and loan associations; in insured first lien real estate mortgage securities and in selected corporation bonds, preferred stocks, and common stocks.

Investments for the City and its component units are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals.

For purposes of the statement of cash flows, the proprietary funds consider cash in bank, money market and savings accounts as cash and cash equivalents. All certificates of deposit and investments in other securities and instruments are considered to be investments.

### **2. Receivables and payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either "due to/from other funds (i.e. the current portion of interfund loans) or "advances to/from other funds (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the City's governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 93 percent of outstanding property taxes as of September 30, 2009.

Property taxes are levied each October 1 and may be paid without penalty until January 31. A penalty is added to payments received February 1 through June 30. Optionally, taxes may be paid in two installments, one-half due November 30 and one-half due June 30. A 15% penalty is added to taxes remaining delinquent on July 1 and an enforceable lien attaches July 1. As of July 6, 1986, the Bowie Central Appraisal District assumed the billing and collection function for property taxes for the City of Texarkana and other cities and schools, and Bowie County under an intergovernmental agreement.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The Texas Constitution limits the City's ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2009 was levied using a rate of \$.5831 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of \$1.9169 per \$100 and could raise taxes up to an additional \$43,882,286 a year from the present assessed valuation of \$2,289,231,865 before the limit is reached.

### **3. Inventories and prepaid items**

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

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

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

### **4. Restricted Assets**

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

### **5. Capital assets**

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

*Governmental activities and health component unit:*

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

Land	\$ -
Buildings and structures	5,000
Machinery and equipment	5,000
Major infrastructure	5,000

Such assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Major infrastructure includes those items



# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

acquired after June 30, 1980. An infrastructure asset is considered “major” if the cost or estimated cost of a network of infrastructure assets is expected to be at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999. An infrastructure asset is also considered “major” if the cost or estimated cost of a subsystem of infrastructure assets is expected to be at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.

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

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

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

### *Business-type activities:*

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

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

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

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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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

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

## **6. Compensated Absences**

The City allows employees to accumulate earned but unused vacation and sick pay benefits. The City's full-time employees are granted 120 hours of vacation and 120 hours of sick leave per year of continuous service. A maximum of 160 hours of accrued vacation leave can be vested and carried forward to succeeding calendar years, with the exception of firemen who can accrue 168 hours. All accrued sick leave credited to an employee can be carried forward to succeeding calendar years without limitation. A maximum of 120 hours accrued vacation is payable to an employee upon termination for any reason. Upon separation from service with the City, whether voluntarily or otherwise, anytime after three years of continuous service, all regular full-time and regular part-time employees can receive pay for any unused sick leave accumulated up to ninety working days. This provision applies to all employees hired prior to April 26, 1977. All employees appointed on or after April 26, 1977, but prior to October 1, 1987 can receive payment for unused sick leave if such employees give adequate notice prior to termination and leave in good standing. Employees hired on or after April 26, 1977, but before October 1, 1987, will receive pay for up to 720 hours of unused sick leave, based on the rate of pay at the time of termination. Employees hired after October 1, 1987 will receive payment for up to 720 hours of unused sick leave based on the rate of pay at the time of termination after ten years of continuous service.

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

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

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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **7. Long-term obligations**

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

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

## **8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **9. Estimates**

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

## **10. Encumbrances**

Encumbrance accounting is employed in the governmental fund types in the fund financial statements. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. Open encumbrances are reported as reservations of fund balances since the commitments will be honored through subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$43,152,684) difference are as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Net pension and other postemployment obligations	\$ 628,994
General obligation bonds payable	18,369,241
Certificates of obligation	19,785,000
Tax notes	1,200,000
Capital leases	82,959
Compensated absences	3,086,490
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 43,152,684</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund financial statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$159,997 difference are as follows:

Capital outlay	\$ 3,650,301
Capital assets additions included in public works expense	172,469
Depreciation expense	<u>(3,982,767)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (159,997)</u>

Another element of that reconciliation states “the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$1,689,958 difference are as follows:

Increase in net pension and other postemployment obligation	\$ (628,994)
Accretion on capital appreciation bonds	(304,570)
Principal repayments:	
General obligation bonds	1,805,000
Certificates of obligation	755,000
Capital leases	125,893
Amortization of bond issuance costs and premiums	<u>(62,371)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,689,958</u>

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

## **NOTE 3 - STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY**

### ***A. BUDGETARY INFORMATION***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase, for the General fund and the following special revenue funds: Teen Court, Theatre, Hotel/Motel Tax, Economic Development, Law Enforcement Block Grant, and Law Enforcement Programs. Debt service funds do not have legally adopted budgets because effective budgetary control is alternately achieved through general obligation bond indenture provisions. In addition to the above mentioned funds, the Housing and Community Development Special Revenue Fund and the capital projects funds have legally adopted project-length budgets. All budget annual appropriations lapse at year-end and are re-established in the succeeding year.

By June of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. Prior to August 1, the City Manager submits a proposed operating budget for the fiscal year commencing the following October 1 to the City Council. After official journal notification, the City Council conducts public hearings to obtain taxpayer comments. A final budget must be prepared and legally adopted through the passage of an ordinance no later than September 1.

The appropriated budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Council may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years. The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level. The Council made several supplemental budgetary appropriations throughout the year. Individual amendments were not material in relation to the original appropriations.

The City prepares its annual operating budget on a basis which differs from generally accepted accounting principles. Encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. For the fiscal year ending September 30, 2009, no adjustments were necessary to convert the expenditures at year end on the GAAP basis to the budgetary basis for the special revenue funds with adopted budgets. For General fund, adjustments necessary to convert the expenditures at the end of the year on the GAAP basis to the budgetary basis are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<i>Expenditures</i>	<i>GAAP Basis</i>	<i>2009 Encumbrances</i>	<i>2008 Encumbrances</i>	<i>Adjustment</i>	<i>Budgetary Basis</i>
<b>General Fund:</b>					
General government	\$ 6,123,996	-	-	-	6,123,996
Public safety	15,128,723		76,453	(76,453)	15,052,270
Public works	4,036,371		46,433	(46,433)	3,989,938
Parks and recreation	1,580,483		2,262	(2,262)	1,578,221
Health and welfare	912,430				912,430
Miscellaneous	9,609	-	-	-	9,609
Capital outlay	454,012	-	-	-	454,012
Debt service:					
Principal	125,087	-	-	-	125,087
Interest	6,129	-	-	-	6,129
	<u>\$ 28,376,840</u>	<u>-</u>	<u>125,148</u>	<u>(125,148)</u>	<u>28,251,692</u>

Comparison of budgeted and actual amounts as shown in the accompanying financial report includes the General Fund and those Special Revenue Funds which are included in the annual operating budget (Teen Court, Theatre, Hotel/Motel Tax, Law Enforcement Block Grant, Law Enforcement Programs, and Economic Development). The capital budget ordinances which encompass the Housing and Community Development and Capital Projects Funds present cumulative (by project) as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. A reconciliation of special revenue funds with budgets and total special revenue funds is as follows:

	<i>Revenue</i>	<i>Expendi- tures</i>	<i>Other Financing Sources (Uses)</i>	<i>Fund Balance at Beginning of Year</i>	<i>Fund Balance at End of Year</i>
<b>Special Revenue Funds with Budgets:</b>					
Teen Court	\$ 24,662	51,292	5,000	78,266	56,636
Theatre	38,917	269,848	305,000	507,041	581,110
Hotel/Motel Tax	1,129,927	309,500	(345,448)	1,156,282	1,631,261
Economic Development	423,247	100,783	-	1,242,448	1,564,912
Law Enforcement Block Grant	60,573	39,247	13,550	(17,867)	17,009
Law Enforcement Programs	12,624	10,198	-	14,360	16,786
Total Special Revenue Funds with budgets	<u>1,689,950</u>	<u>780,868</u>	<u>(21,898)</u>	<u>2,980,530</u>	<u>3,867,714</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Revenue</u>	<u>Expendi- tures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance at Beginning of Year</u>	<u>Fund Balance at End of Year</u>
<b>Special Revenue Funds without Budgets:</b>					
Police Dog	3		584	419	1,006
DARE	3	-	(584)	581	-
Housing and Community Development	570,065	515,191	(54,874)	-	-
Home Program	257,582	118,162	-	241,632	381,052
Housing	<u>149,524</u>	<u>1,859</u>	<u>-</u>	<u>280,620</u>	<u>428,285</u>
Total Special Revenue Funds without budgets	<u>977,177</u>	<u>635,212</u>	<u>(54,874)</u>	<u>523,252</u>	<u>810,343</u>
Total Special Revenue Funds	<u><u>2,667,127</u></u>	<u><u>1,416,080</u></u>	<u><u>(76,772)</u></u>	<u><u>3,503,782</u></u>	<u><u>4,678,057</u></u>

## ***B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS***

The City's expenditures in the General Fund exceeded appropriations by \$166,714 for the fiscal year ended September 30, 2009. The expenditures in the Law Enforcement Block Grant Fund exceeded appropriations by \$3,963.

## ***C. RESTRICTED BY ENABLING LEGISLATION***

The government-wide Statement of Net Assets reports \$12,243,963 of restricted net assets, of which \$2,212,372 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

## **NOTE 4 - DEPOSITS AND INVESTMENTS**

### ***Interest Rate Risk***

As of September 30, 2009, the City did not have any debt security investments.

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

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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

## Firemen's Relief and Pension Fund

As of September 30, 2009, the City's Firemen's Relief and Pension fund had the following debt security investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<b>Fire Pension Fund:</b>					
U.S. Treasuries	\$ 1,585,686	601,508	148,050		836,128
FNMA discount note	98,969	98,969			
Corporate Bonds	708,375		420,216	288,159	
Private Expt FDG Corp	671,308		260,059	411,249	
TNVA Pool	134,510			134,510	
GNMA Pool	948,754				948,754
FNMA Pool	187,199				187,199
New VY Generation I	450,852				450,852
	<u>4,785,653</u>	<u>700,477</u>	<u>828,325</u>	<u>833,918</u>	<u>2,422,933</u>

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



# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

<u>Portfolio Segment</u>	<u>Range of Portfolio Assets</u>
Equity Securities (*1)	40-70%
Fixed Income Securities	30-60%
Cash Equivalents	0-20%

*\*1 Foreign equities (ADR's or foreign equity mutual funds) investment cannot exceed 15% of total equity fund at market.*

## Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the primary government's \$6,449,609 in bank deposits, none were uninsured and uncollateralized. Of the component unit's \$503,870 and the enterprise fund's \$8,719,628, none were uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the primary government's total investments of \$30,403,512 none were uninsured and uncollateralized. Of the enterprise fund's total investments of \$2,459,315 none were uninsured and uncollateralized.

The City's policy on custodial credit risk requires that all deposits and investments of City funds other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral at a level of 102% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. The City's policy also requires that collateral pledged to secure the deposits of the City be held by a safekeeping institution, or Trustee, such as the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral.

## Credit Risk

The City is authorized to invest in obligations of the U.S. Government or the State of Texas, obligations of states, counties, cities, or other political subdivisions with a quality rating of not less than "A". The City is also authorized to invest in (a) certificates of deposit of banks insured by FDIC, National Credit Union Share Insurance, or secured by mortgage-backed securities rated AAA, (b) fully collateralized direct repurchased agreements with a defined termination date secured by obligations of the U.S. government, (c) investment pools, not to exceed 80% of the City's portfolio, and rated no lower than AAA or AAA-m, with a weighted average maturity of 90 days or less, (d) money market mutual funds that have a rating of AAA and a weighted average maturity of 90 days or less, (e) banker's acceptances with a stated maturity of 270 days or less and rated not less than A-1 or P-1 and is fully secured by an irrevocable letter of credit issued by a bank, (f) guaranteed investment contracts, for bond proceeds only, if such contracts have a defined termination date, and are secured by U.S. Government Obligations.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The City's investments in corporate bonds were rated from A1 to Aaa by Moody's Investors Service and A+ to AAA by Standard and Poor's. The City's investment in the high yield mutual bond fund consists primarily of B rated bonds, which carry a high rate of risk. The City's investment in core investment grade bonds is unrated, and the City's investment in Pier Capital Commingled Small Cap Growth Stock is unrated.

Concentrations of credit risk of over 5% by issuer are as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Cash and Certificates of Deposit	Wells Fargo Bank	\$ 15,394,316	31.72%
Corporate Bonds	Stifel, Nicolaus	8,702,543	17.93%

## Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Firemen's Relief and Pension fund's investment policy requires that foreign equities investments cannot exceed 15% of total equity fund at market value. At September 30, 2009, the City's Firemen's Relief and Pension fund had \$3,583,627, invested in Westwood Trust International Equity- EB Fund. In order to minimize foreign currency risk, the City invests in a well-diversified fund. The City's Firemen's Relief and Pension fund's investment policy prohibits investment in any security payable in foreign currency. The fund is comprised of the following investments:

Cash and cash equivalents		1.01%
Cash denominated in foreign currencies		0.68%
Securities:		
Australia	6.26%	Malaysia 2.24%
Czech Republic	0.47%	Netherlands 3.35%
Germany	5.87%	Mexico 0.81%
Great Britain	38.01%	Singapore 6.75%
Hong Kong	2.17%	South Africa 0.54%
Indonesia	0.24%	Spain 2.50%
Ireland	3.41%	Sweden 3.77%
Italy	0.45%	Switzerland 2.04%
Japan	14.13%	USA 4.84%
Total Securities		<u>97.85%</u>
Foreign exchange futures contract		0.16%
Other		<u>0.30%</u>
Total		<u><u>100.00%</u></u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## NOTE 5 - RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor funds, internal service funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<i>General</i>	<i>2003 Bond</i>	<i>Debt Service</i>	<i>Texarkana, Texas Water Utilities</i>	<i>Nonmajor and Other Funds</i>	<i>Total</i>
Receivables:						
Property taxes	\$ 718,536		\$ 308,972			1,027,508
Other taxes					176,285	176,285
Accounts	763,710	2,780		2,232,787	48,965	3,048,242
Intergovernmental	3,621,204			505,467	49,636	4,176,307
Interest	96	7,161	6,812	595	19,908	34,572
Loans	209,738				2,094,858	2,304,596
Restricted accounts					93,728	93,728
Restricted interest				3,855	1,352	5,207
Gross receivables	<u>5,313,284</u>	<u>9,941</u>	<u>315,784</u>	<u>2,742,704</u>	<u>2,484,732</u>	<u>10,866,445</u>
Less: allowance for uncollectibles	<u>1,202,954</u>		<u>287,884</u>	<u>63,167</u>	<u>401,199</u>	<u>1,955,204</u>
Net total receivables	<u>\$ 4,110,330</u>	<u>9,941</u>	<u>27,900</u>	<u>2,679,537</u>	<u>2,083,533</u>	<u>8,911,241</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant receivable (general fund)	\$206,393	
Grant drawdowns prior to meeting all eligibility requirements		<u>646,921</u>
Total deferred/unearned revenue for governmental funds	<u>\$206,393</u>	<u>646,921</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	<i>Balance October 1, 2008</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2009</i>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 43,622,977	192,240		187,212	44,002,429
Construction in progress	5,199,423	3,166,194		(4,623,335)	3,742,282
Total capital assets, not being depreciated	<u>48,822,400</u>	<u>3,358,434</u>	<u>-</u>	<u>(4,436,123)</u>	<u>47,744,711</u>
Capital assets, being depreciated:					
Buildings	24,617,310	77,714		791,009	25,486,033
Improvements other than buildings	5,382,922	131,887		500,550	6,015,359
Infrastructure	93,147,434	186,994		3,144,564	96,478,992
Machinery and equipment	1,582,661	36,042	(39,684)		1,579,019
Licensed vehicles	7,228,762	31,699	(132,277)		7,128,184
Total capital assets, being depreciated	<u>131,959,089</u>	<u>464,336</u>	<u>(171,961)</u>	<u>4,436,123</u>	<u>136,687,587</u>
Less accumulated depreciation for:					
Buildings	(12,424,385)	(486,683)			(12,911,068)
Improvements other than buildings	(3,620,732)	(234,076)			(3,854,808)
Infrastructure	(47,144,662)	(2,679,808)			(49,824,470)
Machinery and equipment	(651,694)	(104,526)	38,802		(717,418)
Licensed vehicles	(4,947,963)	(492,998)	107,711		(5,333,250)
Total accumulated depreciation	<u>(68,789,436)</u>	<u>(3,998,091)</u>	<u>146,513</u>		<u>(72,641,014)</u>
Total capital assets, being depreciated, net	<u>63,169,653</u>	<u>(3,533,755)</u>	<u>(25,448)</u>	<u>4,436,123</u>	<u>64,046,573</u>
Governmental capital assets, net	<u>111,992,053</u>	<u>(175,321)</u>	<u>(25,448)</u>	<u>-</u>	<u>111,791,284</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2008</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2009</i>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,161,852	935		151,422	1,314,209
Construction in progress	4,875,500	954,061		(4,816,547)	1,013,014
Total capital assets, not being depreciated	<u>6,037,352</u>	<u>954,996</u>	-	<u>(4,665,125)</u>	<u>2,327,223</u>
Capital assets, being depreciated:					
Buildings	3,367,804			46,438	3,414,242
Improvements other than buildings	75,994,040			4,438,260	80,432,300
Machinery and equipment	8,471,022	39,320	(13,153)	180,427	8,677,616
Property under capital lease	20,522,224	27,913	(10,736)		20,539,401
Water rights	276,550				276,550
Total capital assets, being depreciated	<u>108,631,640</u>	<u>67,233</u>	<u>(23,889)</u>	<u>4,665,125</u>	<u>113,340,109</u>
Less accumulated depreciation for:					
Buildings	(1,935,163)	(77,270)			(2,012,433)
Improvements other than buildings	(26,373,067)	(1,716,609)			(28,089,676)
Machinery and equipment	(6,834,047)	(440,182)	11,342		(7,262,887)
Property under capital lease	(9,436,408)	(401,100)	9,662		(9,827,846)
Water rights	(241,981)	(11,523)			(253,504)
Total accumulated depreciation	<u>(44,820,666)</u>	<u>(2,646,684)</u>	<u>21,004</u>	<u>-</u>	<u>(47,446,346)</u>
Total capital assets, being depreciated, net	<u>63,810,974</u>	<u>(2,579,451)</u>	<u>(2,885)</u>	<u>4,665,125</u>	<u>65,893,763</u>
Business-type capital assets, net	<u>\$ 69,848,326</u>	<u>(1,624,455)</u>	<u>(2,885)</u>	<u>-</u>	<u>68,220,986</u>

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

Governmental activities	
General government	\$ 45,143
Public safety	643,621
Public works	2,844,260
Parks and recreation	449,743
Health and welfare	
Capital assets held by the City's internal service funds	
charged to the various functions based on their usage of the assets	15,324
Total depreciation expense - governmental activities	<u>\$ 3,998,091</u>
Business-type activities:	
Water and sewer	\$ 2,646,684
Total depreciation expense - business-type activities	<u>\$ 2,646,684</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2009 was as follows:

	<i>Balance October 1, 2008</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2009</i>
Capital assets, being depreciated:				
Buildings	\$1,246,445			1,246,445
Improvements other than buildings	42,841			42,841
Machinery and equipment	29,715		(11,271)	18,444
Licensed vehicles	31,910		(31,910)	-
Total capital assets, being depreciated	<u>1,350,911</u>	<u>-</u>	<u>(43,181)</u>	<u>1,307,730</u>
Less accumulated depreciation for:				
Buildings	(750,638)	(27,728)		(778,366)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(19,710)	(1,282)	6,129	(14,863)
Licensed vehicles	(31,910)		31,910	-
Total accumulated depreciation	<u>(845,099)</u>	<u>(29,010)</u>	<u>38,039</u>	<u>(836,070)</u>
Total capital assets, being depreciated, net	<u>\$ 505,812</u>	<u>(29,010)</u>	<u>(5,142)</u>	<u>471,660</u>

Activity for the Library for the year ended September 30, 2009 was as follows:

	<i>Balance October 1, 2009</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2009</i>
Capital assets, being depreciated:				
Machinery and equipment	607,860	41,794	(5,329)	644,325
Total capital assets, being depreciated	<u>607,860</u>	<u>41,794</u>	<u>(5,329)</u>	<u>644,325</u>
Less accumulated depreciation for:				
Machinery and equipment	(485,716)	(44,579)	3,351	(526,944)
Total accumulated depreciation	<u>(485,716)</u>	<u>(44,579)</u>	<u>3,351</u>	<u>(526,944)</u>
Total capital assets, being depreciated, net	<u>\$ 122,144</u>	<u>(2,785)</u>	<u>(1,978)</u>	<u>117,381</u>

## **NOTE 7 - CONSTRUCTION PROJECTS**

As of September 30, 2009, the City had the following commitments with respect to an unfinished capital project. These projects are being financed with capital project funds from proceeds of bond issues.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

	<i>Project Authorization</i>	<i>Expended Through 9/30/2009</i>	<i>Required Future Financing</i>
Waco Street	\$ 728,000	575,532	152,468
Kilgore Street	1,233,000	771,567	461,433
Scott Wright Road	966,000	339,796	626,204
Lake Drive Overpass	500,000	974,115	(474,115)
Morris Lane	1,534,184	151,207	1,382,977
North Hills Reconstruction	78,309	78,309	-
Texas A&M East Approach	235,500	13,954	221,546
Farmers Market	107,605	51,097	56,508
Plantevigne Street Drainage	182,922	152,418	30,504
Cowhorn Drain Restudy	165,000	150,808	14,192
Downtown Enhancement	453,048	483,479	(30,431)
<b>Total</b>	<u>\$ 6,183,568</u>	<u>3,742,282</u>	<u>2,441,286</u>

## Business-type activities construction projects

The Texarkana Water Utilities completed numerous short water and sewer line extensions and other improvement projects during the fiscal year 2009 using Utility materials, personnel and equipment, which were funded by various capital improvement funds and bond proceeds. In addition, several other projects were completed and others started during the year utilizing outside contractors and various capital improvement funds.

Numerous water, sanitary sewer, equipment, and computer/GIS improvement projects totaling \$702,551 were financed by the Texas capital improvement funds during fiscal year 2009. These include the Richmond Road Utility Relocation Project which was begun last year and finished in 2009 with \$58,558 in additional cost incurred bringing the final project cost to \$1,237,993. Barnwell Industries of Queen City, Texas is the contractor. Highpoint Water Extension started in 2008 was finished at a total project cost of \$81,971. Scott Wright Road Water & Sewer Relocation project was completed with a total project cost of \$53,969. A project to install new fire hydrants totaled \$26,974. The Lake Drive Water & Sewer Relocation project was begun in 2009 for which \$98,754 was spent. Stone Construction was the contractor for this project which will continue into FY 2010. The Gazola Street Sanitary Sewer Extension and the Heritage Oak Water Extension projects were completed in 2009 at a cost of \$15,854 and \$82,167, respectively. A bucket truck was purchased at a cost of \$70,932 to be used for installation of fiber optic cabling. Texas share of various computer/GIS equipment and project cost during the year totaled \$145,244. Various other water, sewer, mapping, security, and long-range water and sewer planning projects were continued or completed during the year totaling \$208,943.

A total of \$111,821 of infrastructure funds were expended during FY 2009. That total included \$33,222 of additional cost incurred on the Kilgore North Water & Sewer Upgrade bringing the total for that project to \$241,311. The balance of the current year expenditures was for replacement of various undersized water lines and substandard sewer mains.

A total of \$411,405 was spent from the South Regional wastewater depreciation funds during fiscal year 2009, most of which was to repair and replace existing equipment. The Arkansas Utility provided

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

\$118,106 of this total (36%) and the remaining \$263,299 was provided by the Texas Utility. Of the total expenditure, \$75,640 was spent on an engineering contract with HDR Engineering, Inc. of Dallas, Texas to continue the study started in 2008 to recommend improvements and upgrades to the wastewater plant, which is now over twenty years old. A total of \$238,500 has been spent on this project which is to be completed in early FY 2010.

An additional \$15,510 was spent from the 2004 Texas Bond Construction Fund to complete the 1999 Annexation Sewer project bringing the project total to \$2,330,865.

## NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2009 is as follows:

### Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 332,713
General	Fleet internal service	159,247
Nonmajor governmental fund	General	2,525
Fleet internal service	General	96,888
Fleet internal service	Nonmajor governmental fund	2,506
Fleet internal service	Employee benefit internal service	21,212
Fleet internal service	Fire Pension	4,884
Texarkana, Texas Water Utilities	Nonmajor enterprise fund	94,098
Nonmajor enterprise fund	Texarkana, Texas Water Utilities	55
Total		<u>\$ 714,128</u>

### Purpose:

\$27,099	To reimburse the General fund for September expenditures made on behalf of Housing fund (nonmajor governmental fund).
\$305,614	To reimburse the General fund for HATT expenses made by Housing and Community Development fund (nonmajor governmental fund).
\$159,247	To reimburse the General Fund for 2009 expenses paid by the Fleet Services (internal service fund).
\$2,525	The balance due to the General fund was established to correct a coding error on a cash receipt for a returned check.
\$96,888	To reimburse the Fleet Services (internal service fund) for fuel and maintenance expense by the General fund.
\$2,506	To reimburse the Fleet Services (internal service fund) for fuel and maintenance expense by the Housing and Community Development fund (nonmajor governmental fund).



# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

- \$21,212 To reimburse the Employee Benefit fund (internal service fund) for miscoded entries.
- \$4,884 To reimburse the Fire Pension fund (fiduciary fund) for miscoded entries.
- \$88,179 International Paper Company (IP) reimburses the Texas Utility fund for all operating expenses incurred by the IP Water Fund. The due to Texarkana, Texas Water Utilities fund at September 30, 2009 represents operating capital advances by the Texas Fund pending receipt of funds from IP.
- \$5,919 Lake Texarkana Water Supply owes the Texas funds for overpayment of capital contributions.
- \$55 The balance due to the IP fund results mainly from the time lag between the dates that payments between funds are made.

**Due to/from primary government and component units:**

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - Health	\$ 10
Primary government - Fleet Services	Component unit - Health	66
Total		<u>\$ 76</u>

Purpose:

- \$10 To reimburse the General Fund for miscoded transaction.
- \$66 To reimburse the Fleet Services (internal service fund) for fuel and maintenance expense by the Health fund (component unit).

**Interfund transfers:**

	<u>Transfer Out:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Texarkana, Texas Water Utilities</u>	
<b>Transfer in:</b>				
General fund	\$ -	95,322	18,900	114,222
Nonmajor governmental funds	68,212	305,763		373,975
Total transfers in	<u>\$ 68,212</u>	<u>401,085</u>	<u>18,900</u>	<u>488,197</u>

Purpose:

- \$68,212 Funds of \$13,550 were transferred from the General Fund for the local match for the Law Enforcement Block Grant. Funds were also transferred from the General Fund to the Bringle Lake fund for end of year contributions in the amount of \$49,662. A transfer of \$5,000 was made from the General Fund to the Teen Court fund for a contribution.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

\$40,448	Transfers to the General Fund from the Hotel/Motel fund were made to cover expenses.
\$305,000	Transfers to the Theatre fund from the Hotel/Motel fund for the quarterly budget amount for the Perot Theatre.
\$584	Funds were transferred from the DARE fund to the Police Dog fund to close out inactive funds.
\$54,874	Funds were transferred from the HCD fund to the General fund from reimbursement of HCD expenses.
\$179	Funds were also transferred from the 2002 Bond Fund to the 2005 Bond Fund (both are nonmajor governmental funds) to close out inactive funds.
\$18,900	Transfer of the City's administrative fees due under contracts between the City and International Paper Company water service contracts.

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

In June 1969, Texarkana Water Supply Corporation was merged into Lake Texarkana Water Supply Corporation, the latter being the surviving corporation. Lake Texarkana Water Supply Corporation is a non-profit corporation which was organized under the provisions of the Texas Non-Profit Corporation Act for the purpose of furnishing a water supply to towns, cities, private corporations, individuals and military camps and bases in the area of Bowie, Morris, Cass and Red River Counties, Texas. Seven cities in the area are participants in the corporation as "Member Cities." Wholesale water supply contracts have been entered into with eight other cities as of September 30, 2009.

To finance the construction of this area-wide supply and distribution system, Lake Texarkana Water Supply Corporation received a grant of \$3,000,000 from the Department of Housing and Urban Development and sold \$8,400,000 of its bonds designated as Lake Texarkana Water Supply Corporation Bonds, Series 1969. These bonds are dated June 1, 1969 and matured in varying amounts from June 1, 1972 to June 1, 2001.

## **NOTE 10 - ENTERPRISE FUNDS - Water Supply System Sale/Purchase Financing Agreement**

On July 24, 1969 the City of Texarkana, Texas entered into a contract with Lake Texarkana Water Supply Corporation (hereinafter referred to as the Corporation) which provided that the Corporation, acting as general contractor for the City, would construct extensions and improvements to its existing system for the treatment and transporting of water to such of the area cities as may make contractual arrangements with the City. The City in turn agreed to purchase from the Corporation all of its water system properties, facilities, and improvements, including those to be constructed, with money derived from revenues of the water system pledged for this purpose or from the levy of City taxes in such amounts as are required to meet principal and interest on the outstanding bonds of the Corporation as they shall mature plus paying agents' fees and all other charges which may accrue in connection with paying the "Lake Texarkana Water Supply Corporation Bonds, Series 1969". The contract provided that the purchase price is to be paid in semiannual installments beginning November 15, 1971. In prior years, the City made monthly transfers to the Lake Texarkana Water Supply debt service fund.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

## **NOTE 11 - ENTERPRISE FUNDS - Contracts With City of Texarkana, Arkansas**

Under a contract dated August 5, 1948 as subsequently amended, the City supplies water to the City of Texarkana, Arkansas and disposes of sewage collected by that City. Charges to Texarkana, Arkansas for these services are computed by prorating certain expenses of the System, plus a set monthly fee. A new agreement was executed between the Cities of Texarkana, Texas and Texarkana, Arkansas on May 20, 1969. This new agreement relates to the matter of supplying treated water only and does not amend the prior agreement relating to sewer service. The terms of the new contract, provide that Texarkana, Arkansas will pay the same amount per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Texas under its contractual arrangements with other area cities (See Note 12). The Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for water purchases of \$858,999 and 623,028 for 2009 and 2008, 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 Texarkana, Arkansas Water Utilities has made no transfers to the Texarkana, Texas Water Utilities for debt service since 2001 when the capital lease debt was retired.

A water system agreement entered into on December 1, 1982 and amended on October 15, 1985, with the City of Texarkana, Arkansas provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement further provides that the City of Texarkana, Arkansas will sell treated water to Texarkana, Texas, at the cost per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for water purchases of \$572,752 and \$521,334 for 2009 and 2008, respectively.

Additionally, when the indebtedness the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the water treatment and transmission facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Arkansas and Texarkana, Texas. Texarkana, Texas' share is currently estimated to be approximately 62 percent of the total. Capital payments are defined as payments made or to be made on the principal of the bond obligation of Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for debt service of \$402,255 and \$437,106 for 2009 and 2008, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

## **South Regional Wastewater Facilities**

A wastewater agreement dated March 1, 1983 was entered into between the City of Texarkana, Arkansas and the City of Texarkana, Texas. The agreement is a supplement to the previous agreement and provides that the City of Texarkana, Texas will process the wastewater from the City of Texarkana, Arkansas and charge the City of Texarkana, Arkansas the same amount per one thousand gallons as the computed cost to the City of Texarkana, Texas for wastewater treatment. The calculation of cost for retail customers billed on the City Rate Ordinance is based on the metered retail water sales of each City to the total retail water sales for both Cities. The cost for contract customers is based on metered wastewater treated in combination with the retail customers for each City to the total for both Cities.

The agreement further provides that, when the indebtedness of the City of Texarkana, Texas incurred in connection with the acquisition and construction of the wastewater treatment facility has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Texas and Texarkana, Arkansas. The Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for debt service of \$210,189 and \$212,500 for 2009 and 2008, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a direct financing lease.

## **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 2009 and 2008, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$109,383 and \$108,593 respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **NOTE 12 - ENTERPRISE FUNDS - Water Supply Contracts Between City of Texarkana, Texas and "Member Cities"**

A water supply contract has been entered into between the City of Texarkana, Texas and seven cities in the area which are described as "Member Cities". Texarkana, Texas has agreed to supply each of these cities with a maximum amount of treated water per year. Each Member City agrees to make minimum monthly payments to the City of Texarkana, Texas, which shall be adequate to discharge its pro rata part of debt service, maintenance and operating, and administrative expenses to Lake Texarkana Water Supply Corporation. The proceeds of these contracts with the various Member Cities are pledged by the City for the payment of the bonds issued by Lake Texarkana Water Supply Corporation described in Note 9.

The contracts also provide that at such time as all bonds or other indebtedness incurred by Lake Texarkana Water Supply Corporation in connection with the acquisition and construction of system facilities have been fully paid, the City of Texarkana, will upon request by the Member City, convey to the Member City, an undivided interest in such facilities equal to that percentage of the amount which was paid by the Member City (under this contract) on bond principal to the amount paid by all other contracting municipalities. The effective transfer of assets pursuant to this agreement has been recorded as a direct financing lease. The Member Cities have made no debt service payments to Lake Texarkana Water Supply Corporation since 2001 when the direct financing lease debt was retired.

## **NOTE 13 - WATER SUPPLY CONTRACT WITH INTERNATIONAL PAPER COMPANY**

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

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

## **NOTE 14 - ENTERPRISE FUNDS - Water Supply**

### ***TEXARKANA RESERVOIR***

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

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

In 1968, the City of Texarkana, Texas entered into two agreements with the U.S. Government for water rights in the Texarkana Reservoir. The first agreement dated April 16, 1968, provides for the reallocation of an additional 120,000 acre-feet of water storage in Texarkana Reservoir to the City of Texarkana after the completion of Cooper Reservoir. This space will become available to Texarkana effective with the latter of 1) the date Cooper Reservoir becomes operative for storage of water for flood control or 2) the date of completion of modification to Texarkana Reservoir which is required to affect the conversion of storage space therein from flood control use to municipal and industrial water supply use. The term of contract is for as long as the Government continues to operate Texarkana Reservoir. Payments of \$269,308 per year for 50 years are estimated beginning upon the effective date of water withdrawal.

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

### **MILLWOOD RESERVOIR**

The City of Texarkana, Arkansas has entered into a contract with the Southwest Arkansas Water District to reserve storage space sufficient to provide 50 million gallons of water per day (MGD) from the Millwood Reservoir. The reservation of storage space insures that Texarkana 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. The deferred charges are allocated 55% to Arkansas and 45% to Texas pursuant to an agreement between the two cities. Total deferred charges at September 30, 2009 and 2008 were \$51,124 and \$76,686, respectively. Deferred charges for Millwood Water Rights at September 30, 2009 were \$28,078 and \$23,046 for Arkansas and Texas, respectively.

Amortization of the deferred charges, which began in fiscal year ending September 30, 1987, the first full year of operations, is being made over the 25 years remaining life of the bonds issued to construct the reservoir facilities. Payments were made to the water district for water used from the reservoir totaling \$194,339 and \$202,938 for fiscal year 2009 and 2008, respectively. These amounts are included in Water Production Costs of the Texarkana, Arkansas Water Utilities and the Texarkana, Texas Water Utilities based on the contract percentages of 55% and 45%, respectively.

### **NOTE 15 - LEASE COMMITMENTS - Direct Financing Leases**

The following lists the components of the net investment in direct financing leases as reported in the enterprise fund as of September 30, 2009:

	<i>Texas Utility System</i>
Total minimum lease payments	\$ 126,758
Less: Unearned income	(11,120)
Net investment in direct financing leases	<u>\$ 115,638</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

As of September 30, 2009, the minimum lease payments by years are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Texarkana,</u> <u>Texas</u> <u>Utility</u> <u>System</u>
2010	\$ 30,741
2011	32,800
2012	31,488
2013	31,729
	<u>\$ 126,758</u>

A pro rata portion of all unexpended funds including bond proceeds is credited against the minimum lease payment receivable.

In prior years, the gross amount of assets acquired under the capital lease were as follows:

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 32,066
Building	861,398
Improvements other than buildings	18,304,073
Machinery and equipment	248,516
Total	<u>\$ 19,446,053</u>

## NOTE 16 - LEASE COMMITMENTS - Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of various equipment, including police cars, service trucks, maintenance equipment and safety equipment. The government also has financed undivided interests in the acquisition of the Millwood Water Treatment Facilities and the McKinney Bayou Wastewater Facilities. The following is a schedule by years of future minimum lease payments under capital lease obligations as of September 30, 2009:

<u>Ending September 30:</u>	<u>Governmental</u> <u>Activities</u>	<u>Enterprise</u> <u>Funds</u>
2010	\$ 74,624	554,853
2011	10,113	558,225
2012		557,523
2013		556,399
2014		554,853
2015-2019		3,037,130
2020-2024		2,701,361
2025		504,892
Total minimum lease payments	<u>84,737</u>	<u>9,025,236</u>
Less:		
Unexpended funds		(875,734)
Amounts representing interest	(1,778)	(2,474,965)
Present value of minimum lease payments	<u>\$ 82,959</u>	<u>\$5,674,537</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## NOTE 17 - LONG-TERM OBLIGATIONS

### General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has dedicated 30% of the ad valorem taxes received for the year for the payment of principal and interest on general obligation bonds. General obligation bonds at September 30, 2009 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2009</u>
<b>General obligation bonds:</b>			
General Obligation Refunding Bonds, Series 2003 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2004 through February 15, 2016.	2.60% - 5.00%	\$ 9,430,000	3,035,000
General Obligation Bonds, Series 2003 used to improve streets, drainage, flood control, and the library - due serially in varying amounts from February 15, 2004 through February 15, 2023. Original issue amount includes accretion of capital appreciation bonds at September 30, 2009 of \$1,902,366.	1.40% - 5.00%	13,718,526	12,319,241
General Obligation Refunding Bonds, Series 2006 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 1, 2007 through February 1, 2022.	3.85% - 4.00%	3,060,000	3,015,000
Total general obligation bonds		<u>\$ 26,208,526</u>	<u>18,369,241</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2009 are as follows:

<u>Requirements Year Ending September 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,710,000	690,459	2,400,459
2011	1,730,000	701,858	2,431,858
2012	1,780,000	705,070	2,485,070
2013	1,570,000	707,756	2,277,756
2014	1,585,000	731,582	2,316,582
2015-2019	6,300,000	3,355,944	9,655,944
2020-2023	5,205,000	490,850	5,695,850
Subtotal	19,880,000	7,383,519	27,263,519
Less: Adjustment for future accretion of capital appreciation bonds	(1,510,759)		(1,510,759)
Total	<u>\$ 18,369,241</u>	<u>7,383,519</u>	<u>25,752,760</u>



# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Certificates of Obligation

The City issues certificates of obligation to fund construction projects and acquire capital assets. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. Certificates of obligation at September 30, 2009 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2009</u>
<b>Certificates of obligation:</b>			
Certificates of Obligation, Series 1998 used for street and drainage improvements, purchase of fire equipment, acquisition of right of ways, and park improvements - due serially in varying amounts through February 15, 2018.	4.00% - 7.00%	3,000,000	1,680,000
Certificates of Obligation, Series 2002 used for improving and constructing streets and drainage facilities and the acquisition of right of ways - due serially in varying amounts through March 1, 2021.	3.00% - 5.00%	2,500,000	1,365,000
Certificates of Obligation, Series 2005 used for street and park improvements, constructing and equipping fire-fighting training facilities, purchase of fire trucks - due serially in varying amounts through August 1, 2027.	3.00% - 5.00%	<u>17,750,000</u>	<u>16,740,000</u>
Total certificates of obligation		<u>\$ 23,250,000</u>	<u>19,785,000</u>

Annual requirements to amortize certificates of obligations outstanding at September 30, 2009 are as follows:

<u>Requirements Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 670,000	892,998	1,562,998
2011	750,000	864,524	1,614,524
2012	830,000	832,553	1,662,553
2013	910,000	797,079	1,707,079
2014	1,005,000	755,073	1,760,073
2015-2019	5,740,000	3,057,988	8,797,988
2020-2024	5,590,000	1,768,875	7,358,875
2025-2027	<u>4,290,000</u>	<u>311,313</u>	<u>4,601,313</u>
Total	<u>\$ 19,785,000</u>	<u>9,280,403</u>	<u>29,065,403</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Tax Notes

The City issues tax anticipation notes to pay contractual obligations to be incurred for the construction of public works or for the purchase of equipment, machinery and vehicles for various City departments. The tax notes will be funded by a continuing direct annual ad valorem tax. Tax notes outstanding as of September 30, 2009 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2009</u>
<b>Tax Notes:</b>			
City of Texarkana, Texas Tax Notes Series 2008 used for the purchase of equipment and vehicles for human resources, police, fire, street, park and recreation and fleet departments, construction of improvements to park and recreation facilities and fire-fighting facilities -due serially in varying amounts through February 15, 2015	3.395%	<u>\$ 1,200,000</u>	<u>1,200,000</u>
Total tax notes		<u><u>\$ 1,200,000</u></u>	<u><u>1,200,000</u></u>

<u>Requirements Year Ending September 30</u>	<u>Principal</u>	<u>Tax Notes Interest</u>	<u>Total</u>
2010	\$ 40,000	40,061	80,061
2011	120,000	37,345	157,345
2012	180,000	32,252	212,252
2013	335,000	23,510	358,510
2014	260,000	13,411	273,411
2015	265,000	4,498	269,498
Total	<u><u>\$ 1,200,000</u></u>	<u><u>151,077</u></u>	<u><u>1,351,077</u></u>

## Revenue Bonds

The City issues bonds pledged with income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2009 are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2009</u>
<b>Revenue bonds:</b>			
Waterworks and Sanitary Sewer System Revenue Bonds, Series 1996-B used to finance the costs of making improvements and extensions to the water and sewer system - due serially in varying amounts from August 1, 1997 through August 1, 2016	2.60% - 4.45%	\$ 2,755,000	1,235,000
Waterworks and Sanitary Sewer System Revenue Refunding Bonds, Series 2002 net of bond discount and premium of \$38,798 - used to refund certain bonds which were issued to finance the costs of making improvements and extensions to the water and sewer system - due serially in varying amounts from February 1, 2003 through February 1, 2013.	3.10% - 4.65%	4,355,000	316,201
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2004 net of bond premium of \$10,973 used to finance the costs of making improvements and extensions to the water and sewer system due serially in varying amounts from February 1, 2006 through February 1, 2020.	3.00% - 4.25%	2,500,000	2,075,973
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2005 net of bond discount and premium of \$56,128 used to finance the costs of making improvements and extensions to the water and sewer system - due serially in varying amounts from February 1, 2007 through February 1, 2017.	3.10% - 4.65%	1,805,000	1,333,872
Total Texarkana, Texas Water Utilities		<u>\$ 11,415,000</u>	<u>4,961,046</u>

Annual requirements to amortize revenue bonds outstanding at September 30, 2009 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Revenue Bonds</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 482,167	197,623	679,790
2011	507,168	178,252	685,420
2012	532,168	157,813	689,981
2013	554,927	135,948	690,875
2014	483,807	115,333	599,140
2015-2019	1,688,067	413,190	2,101,257
2020-2023	712,742	62,051	774,793
Total	<u>\$ 4,961,046</u>	<u>1,260,210</u>	<u>6,221,256</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2009:

	<u>October 1,</u> <u>2008</u>	<u>Additions</u>	<u>Retirements/ Deductions</u>	<u>September 30,</u> <u>2009</u>	<u>Long-term</u> <u>Balance</u>	<u>Within</u> <u>One Year</u>
<b>Governmental activities:</b>						
General obligation bonds	\$ 19,869,671	304,570	(1,805,000)	18,369,241	16,858,013	1,511,228
Less deferred charges:						
On refunding	(568,503)		66,691	(501,812)	(501,812)	
Total general obligation bonds	<u>19,301,168</u>	<u>304,570</u>	<u>(1,738,309)</u>	<u>17,867,429</u>	<u>16,356,201</u>	<u>1,511,228</u>
Certificates of obligation	20,540,000		(755,000)	19,785,000	19,115,000	670,000
Less deferred charges:						
For issuance premiums	273,816		(15,354)	258,462	258,462	
On refunding	(196,776)		11,034	(185,742)	(185,742)	
Total certificates of obligation	<u>20,617,040</u>	<u>-</u>	<u>(759,320)</u>	<u>19,857,720</u>	<u>19,187,720</u>	<u>670,000</u>
Tax Notes	1,200,000			1,200,000	1,160,000	40,000
Capital leases	208,852		(125,893)	82,959	10,030	72,929
Net pension and other postemploy- ment obligations		628,994		628,994	628,994	
Accrued compensated absences	<u>2,642,670</u>	<u>1,625,040</u>	<u>(1,181,220)</u>	<u>3,086,490</u>	<u>2,885,068</u>	<u>201,422</u>
Governmental activity						
Long-term liabilities	<u>\$43,969,730</u>	<u>2,558,604</u>	<u>(3,804,742)</u>	<u>42,723,592</u>	<u>40,228,013</u>	<u>2,495,579</u>
<b>Business-type activities:</b>						
Revenue bonds	\$ 6,065,000		(1,020,000)	5,045,000	4,545,000	500,000
Less deferred charges:						
For issuance premiums (discounts)	12,866	-	(1,069)	11,797	11,797	
On refunding	(114,653)		18,902	(95,751)	(95,751)	
Total revenue bonds	<u>5,963,213</u>	<u>-</u>	<u>(1,002,167)</u>	<u>4,961,046</u>	<u>4,461,046</u>	<u>500,000</u>
Capital leases	5,900,544	27,913	(253,920)	5,674,537	5,381,669	292,868
Net pension and other postemploy- ment obligations			167,018	167,018	167,018	
Accrued compensated absences	<u>337,362</u>	<u>405,936</u>	<u>(374,395)</u>	<u>368,903</u>	<u>333,753</u>	<u>35,150</u>
Business-type activity						
Long-term liabilities	<u>\$12,201,119</u>	<u>433,849</u>	<u>(1,463,464)</u>	<u>11,171,504</u>	<u>10,343,486</u>	<u>828,018</u>

The addition to the general obligation bond includes \$304,570 of accretion on capital appreciation bonds during the fiscal year ended September 30, 2009.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year end, \$72,262 of internal service funds compensated absences is included in the above amounts.

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

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

## **NOTE 18 - CONDUIT DEBT**

The City issued \$2,430,000 in Combination Tax and Revenue Certificate of Obligation, Series 2008 dated February 1, 2008. The stated maturity date of the debt is February 1, 2023, with an interest rate of 3.660% per annum. The certificates were issued by the City on behalf of the Bi-State Justice Center. The purpose of the debt is to pay contractual obligations for improvements to the Bi-State Criminal Justice Center and professional services rendered in connection therewith. The payments are made by the Bi-State Justice Center directly to the paying agent. The City has no responsibility for the repayment of the debt beyond its participation in the BSJC joint venture. The balance outstanding at September 30, 2009 is \$2,305,000.

## **NOTE 19 - RISK MANAGEMENT**

The City's workers' compensation insurance coverage is obtained through the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount for workers' compensation that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated. For the year ended September 30, 2009, the City contributed \$248,521 for workers' compensation coverage.

Through an amendment, in 1978, of the Texas Unemployment Compensation Act, the City of Texarkana elected the Reimbursing Employer Option for providing unemployment insurance benefits for eligible former City employees.

The City has outside property insurance coverage totaling \$26,880,942 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses.

The City maintains liability insurance coverage of \$1,000,000 for all its vehicles and equipment. It has vehicle damage coverage on the most expensive vehicles and equipment including fire engines and large trucks.

The City has established an Employee Benefit Fund (an internal service fund) to account for a self-insured employee health benefit program. The City accounts for this expense on the accrual method in that as cash is transferred to the Employee Benefit Fund, it is expensed on the transferring fund. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Under this program, the City is self-insured up to a maximum of \$100,000 specific deductible per claimant in a calendar year, and a \$75,000 aggregating specific deductible per year. Costs in excess of this amount, up to \$1,000,000 per claimant as a lifetime benefit, are insured through Arkansas Blue Cross Blue Shield, which is administered by US Able Administrators. Each participating fund makes payments to the Employee Benefit Fund based upon the computed monthly amount determined by the

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

administrator of the plan. Employees pay a portion of their costs and an amount for dependents and the City pays for the remainder of employees' coverage. Costs are recognized by the City in the Employee Benefit Fund when they are billed by Arkansas Blue Cross Blue Shield. Estimated costs incurred but not billed at year end are accrued.

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

	<i>Year Ended</i> <u>September 30, 2009</u>	<i>Year Ended</i> <u>September 30, 2008</u>
Unpaid claims, October 1	\$ 155,307	130,983
Incurred claims	1,897,678	1,613,572
Claim payments	<u>(1,869,799)</u>	<u>(1,589,248)</u>
Unpaid claims, September 30	<u>\$ 183,186</u>	<u>155,307</u>

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

## **NOTE 20 - EMPLOYEE RETIREMENT SYSTEMS**

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

### ***A. TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)***

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

#### **Plan Description**

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	7.0%	7.0%
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 Repeating	70% of CPI Repeating

## Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually, the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. 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.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City 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. The annual pension cost and net pension obligation/ (asset) are as follows:

	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
Calculation of Net Pension Obligation:			
Annual required contribution (ARC)	\$ 1,097,024	1,183,913	1,044,798
Interest on NPO	-	-	-
Adjustment to the NPO	-	-	-
Annual pension cost (APC)	<u>1,097,024</u>	<u>1,183,913</u>	<u>1,044,798</u>
Contributions made	<u>(898,910)</u>	<u>(995,345)</u>	<u>(856,380)</u>
Increase (decrease) in NPO	198,114	188,568	188,418
NPO at the beginning of period	-	-	-
NPO at the end of period	<u><u>198,114</u></u>	<u><u>188,568</u></u>	<u><u>188,418</u></u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## THREE YEAR TREND INFORMATION

	<i>Fiscal Year Ending</i>	<i>Annual Pension Cost</i>	<i>Actual Contributions Made</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
Plan No. 1	9/30/2007	\$ 731,422	\$ 731,422	100%	\$ -
	9/30/2008	764,641	764,641	100%	-
	9/30/2009	1,097,024	898,910	82%	198,114
Plan No. 2	9/30/2007	897,123	852,123	100%	-
	9/30/2008	889,361	889,361	100%	-
	9/30/2009	1,183,913	995,345	84%	188,568
Plan No. 3	9/30/2007	740,173	70,173	100%	-
	9/30/2008	809,206	809,206	100%	-
	9/30/2009	1,044,798	856,380	82%	188,418

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Actuarial valuation date	12/31/2006	12/31/2007	12/31/2008
Actuarial cost method	unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
Remaining amortization period	25 years; open period	30 years; closed period	29 years; closed period
Asset valuation method	amortized cost	amortized cost	amortized cost
Actuarial assumptions:			
Investment rate of return*	7.00%	7.00%	7.50%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service
*includes inflation at	3.00%	3.00%	3.00%
cost of living adjustments	n/a	2.10%	2.10%



# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability(AAL)</i>	<i>Funded Ratio</i>	<i>Unfunded AAL (UAAL)</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
Plan No. 1	12/31/2008	\$12,377,335	\$ 21,411,093	57.8%	\$ 9,033,758	\$ 4,931,618	183.2%
Plan No. 2	12/31/2008	17,651,709	26,260,721	67.2%	8,609,012	7,846,154	109.7%
Plan No. 3	12/31/2008	10,554,367	18,830,089	56.1%	8,275,722	6,203,946	133.4%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, 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.

## **B. TEXARKANA FIREMEN'S RELIEF AND RETIREMENT FUND (FRRF)**

### **Plan Description**

The Board of Trustees of the Texarkana Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Texarkana Firefighter's Relief and Retirement Fund is considered part of the City of Texarkana, Texas financial reporting entity and is included in the City's financial reports as a pension trust fund.

Firefighters in the Texarkana Fire Department are covered by the Texarkana Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund as of December 31, 2007.

<i>Group</i>	<i>Number</i>
Retiree and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	50
Current employees	
Vested	21
Nonvested	59

The Texarkana Firefighter's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. Employees may retire at age 50 with 20 years of service, or with 30 years of service regardless of age. As of the December 31, 2007 actuarial valuation date, the plan effective November 1, 2006 provided a monthly normal service retirement benefit, payable in a joint and two-thirds to spouse form of annuity, equal to 2.95% of highest 36-month average salary for each whole year of service.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

There is no provision for automatic post-retirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

The City does not issue a stand-alone financial report for this pension plan. The plan is not included in the financial report of any other entity.

## **Summary of Significant Accounting Policies**

### ***Basis of Accounting***

The Texarkana Firemen's Relief and Retirement Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the 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 the plan.

### ***Method Used to Value Investments***

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

## **Contributions Required and Contributions Made**

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

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using an open, level percentage of payroll method.

The costs of administering the plan are financed from the fund.

The funding policy of the Texarkana Firefighter's Relief and Retirement Fund requires contributions equal to 12% of pay by the firefighters for the first nine months of calendar year 2009 and 13.5% of pay effective October 2009. The City of Texarkana contributed 15% of pay for the first nine months of calendar year 2009 and increased their contribution rate as a percent of payroll to 19.50% effective October 2009.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Annual Pension Cost

For the fiscal year ending September 30, 2009, the City of Texarkana's annual pension cost (APC) was equal to the annual required contributions and was \$593,552. Based on the results of the December 31, 2007 actuarial valuation of the plan effective November 1, 2006, the Board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and City of Texarkana contribution rates. The funding policy of the fund requires, beginning October 2009, the firefighters to contribute 13.5% of pay, and the City to contribute 19.5% of pay. The City has contributed budgeted rates of 14.66 during calendar year 2008 and 15.00% during the first nine months of calendar year 2009.

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2009 were based on the results of the actuarial valuation as of December 31, 2007 using the entry age actuarial cost method and were determined in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for the two most recent biennial actuarial valuations are shown below:

Valuation date	12/31/2005	12/31/2007
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	24 years	15 years
Asset valuation method	5-year adjusted market value	5-year adjusted market value
Actuarial assumptions		
Investment return	8.00%	7.75%
Inflation	3.75%	3.75%
Projected salary increases		
General	4.00%	4.00%
Promotion and longevity	0% to 11.6%	0% to 5%
Total	4.00% to 16.06%	4.00% to 9.20%
Cost-of-living increases	0.00%	0.00%
Payroll increases	4.00%	4.00%
ARC as a percentage of payroll	budgeted rates	budgeted rates

## Trend Information

Six-year trend information may be found in the Required Supplementary Information Section of this report which follows the Notes to Combined Financial Statements.

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Contribution as a Percentage of Payroll</u>	<u>Net Pension Obligation</u>
09/30/07	\$500,887	100%	14.00/ 14.33%	\$ -
09/30/08	567,608	100%	14.33/ 14.66%	0
09/30/09	593,552	100%	14.66/ 15.00%	0

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2007	\$ 23,463,936	\$ 26,506,378	88.5%	\$ 3,042,442	\$ 3,867,848	78.7%

## NOTE 21 - POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to the retirement benefits described in Note 21, 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 a balance in item 2 can only be used for healthcare it is required to be included as another post-employment benefit (OPEB).

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

### Funding Policy

The Annual Required Contribution (ARC) is the periodic required contribution to fund the post employment healthcare benefits of both active and inactive participants. The ARC includes both the value of benefits earned during the year (normal costs) and an amortization of the Unfunded Actuarial Accrued Liability (UAAL). Although there is no requirement to contribute the ARC, it serves as the starting point for the Annual OPEB Cost.

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

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

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

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>City</u>	<u>TWU</u>
Normal costs	\$ 212,200	59,798
Amortization of unfunded actuarial accrued liability	135,981	62,308
Interest adjustment	13,927	
Annual required contribution	362,108	122,106
Contributions made		(55,930)
Interest on BOY net OPEB obligation	-	
Annual required contribution adjustment	-	
Annual OPEB cost	<u>\$ 362,108</u>	<u>66,176</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended September 30, 2009 and the two preceding years were as follows:

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City	9/30/2007	N/A	N/A	N/A
	9/30/2008	N/A	N/A	N/A
	9/30/2009	\$ 362,108	0.00%	\$ 66,176
TWU	9/30/2007	N/A	N/A	N/A
	9/30/2008	N/A	N/A	N/A
	9/30/2009	\$ 122,106	45.80%	\$ 66,176

## Funding Status and Funding Progress

The funded status of the plans as of September 30, 2009 was as follows:

### SCHEDULE OF FUNDING PROGRESS

<u>Plan</u>	<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
City	9/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
	9/30/2008	N/A	N/A	N/A	N/A	N/A	N/A
	9/30/2009	\$ -	\$ 3,558,556	\$ 3,558,556	0%	\$ 13,763,367	26%
TWU	9/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
	9/30/2008	N/A	N/A	N/A	N/A	N/A	N/A
	9/30/2009	\$ -	\$ 1,077,438	\$ 1,077,438	0%	N/A	N/A

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Actuarial Methods and Assumptions

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

Valuation date	10/1/2008
Benefits valued	Medical and prescription drug benefits are valued. Dental benefits were not valued because retirees and their dependents are required to contribute the full group rates which are assumed to cover their full expected costs of dental coverage.
Discount Rate	4.0% (Pay-As-You-Go Funding)
Actuarial cost methods	Projected unit credit. The initial UAAL and subsequent gains and losses are amortized as a percent of payroll over closed 30 year periods.
Actuarial value of assets	The plan is not prefunded.
Payroll growth rate	3.0% (based on 3% for the TMRS-COT plan, 3% for the TMRS-TPD plan and 4% for the FRRF plan)
Individual pay rate increases	4.00%
Sick leave hour accrual	Active employees are assumed to continue accruing sick leave hours until retirement at the same rate they accrued hours in the past.
Medical/Rx Elections	90% of City employees, Police and Firefighters are assumed to elect medical and prescription drug coverage at retirement  25% of City employees and Police electing medical and prescription drug coverage at retirement are assumed to be married and elect coverage for their spouse at retirement  60% of Firefighters electing medical and prescription drug coverage are assumed to be married and elect coverage for their spouse

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Firefighter termination rates are the rates from the December 31, 2007 Texarkana FRRF Actuarial Valuation. These termination rates were based on five years of recent Firefighters termination experience and long-term expectations of the City. Rates range from 0.00 to .060.

Disability rate

None

Retirement rates

The retirement rates for City and Police are based on the rates used in the 12/31/08 TMRS reports and was chosen based on the City and Police experience and long-term expectations. Retirement rates range from .06 to 1.

The retirement rates for Firefighters are based on the rates used in the 12/31/07 FRRF reports and was chosen based on Firefighters experience and long-term expectations. Retirement rates range from .01 to 1.

Healthcare cost trend rates

Healthcare cost trend rates are assumed to decrease in future years. Rates for future years range from 10% to 5%.

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

Discount Rate

4.0% per annum, compounded annually - if unfunded  
7.0% per annum, compounded annually - if funded

Mortality rates

RP-2000 Combined male/female mortality, projected to 2017 using scale AA

Disabled mortality

N/A

Retirement rates

Assumed rate of retirement - varies from 3.0% at age 40-44 to 100% at age 70 for male and 2.3% at age 40-44 to 100% at age 70 for female

Disability rates

None assumed

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Withdrawal rates	Sarason's T-10 table. Ranges from 17.9% to 1.2%
Salary increases	4.0% per annum
Assumed sick leave balance	Active participants assumed to have the maximum leave balance accrued at time of retirement (720 hours). Retirees use actual sick leave balances.
Marriage assumption	For actives it is assumed that wives are two years younger than husbands. Inactive participants use actual spousal data. 25% of actives retiring and electing medical coverage are assumed to also elect coverage for a spouse.

## **NOTE 22 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective January 1, 1997 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements at September 30, 2009.

## **NOTE 23 - CONTINGENT LIABILITIES**

### Litigation

The City of Texarkana, Arkansas applied to federal court for an order to compel arbitration with the City of Texarkana, Texas, contending a right to arbitration over Texarkana Water Utilities (TWU) management issues pursuant to the terms of a 1985 water supply contract. The application of the City of Texarkana, Arkansas is pending. There have been no substantive court rulings on the issues alleged. The federal magistrate judge intends to order a conference for the parties to discuss and perhaps reach a resolution of the issues. The City of Texarkana, Texas responded to the application, providing the federal court with facts, documents, and legal authorities that the application should be denied. There are no allegations or claims for damages asserted by the City of Texarkana, Arkansas, in its application.

A claim has been filed against the City in which the plaintiff is seeking a judicial review pursuant to the Texas Local Government Code to declare void certain orders of the City's Buildings and Standards Commission regarding various properties owned by the plaintiff. The petition for review is pending with the district court. There have been no substantive court rulings on the issues alleged. On October 21, 2010, the presiding judge ruled that the plaintiff's lawyers are disqualified from representing him. The presiding judge continued a hearing on the City's motion to dismiss the lawsuit until such time that the plaintiff secures new legal counsel. There are no allegations or claims for damages asserted by the plaintiff in his petition.



# CITY OF TEXARKANA, TEXAS

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## *Notes to the financial statements continued.*

A claim has been made against the City and an employee of the City. This is a personal injury claim arising from a two vehicle accident where the defendant was driving. The City has coverage for this matter through its association with the Texas Municipal League – Intergovernmental Risk Pool. The plaintiff claims to have a neck and back strain, which prompted the plaintiff to seek care, along with loss of wages. The City's attorney estimates a possible loss in the \$20,000 range with a maximum loss exposure of \$40,000.

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount.

### Grant Disallowances

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor agency. As of September 30, 2009, significant amounts of grant expenditures have not been audited but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

### **NOTE 24- SUBSEQUENT PRONOUNCEMENTS**

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the City of Texarkana, Texas. The statements which might impact the City are as follows:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* issued June, 2007, will be effective for the City for the year ending September 30, 2010. This Statement requires that all intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software, not excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

Statement No. 53, *Accounting and Financial Reporting Derivative Instruments* issued June 2008 will be effective for the City for the year ending September 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed invest contracts that are fully benefit-responsive, are reported at fair value.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* issued March 2009 will be effective for the City for the year ending September 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* issued December 2009 will be effective for the City for the year ending September 30, 2012. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other*

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

*Than Pensions*, to permit an agent employer that has an individual employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. It also amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual employer OPEB plans or measurements resulting from the use of the alternative measurement method for individual-employer OPEB plan that are eligible.

Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* issued in December 2009 will be effective for the City for the year ending September 30, 2010. The Statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United State Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

Statement No. 59, *Financial Statement Omnibus* issued in June 2010 will be effective for the City for the year ending September 30, 2011. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

## **NOTE 25 – SUBSEQUENT EVENTS**

The City issued City of Texarkana, Texas, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2010 dated May 15, 2010 in the amount of \$7,000,000. The Certificates were issued for the purpose of paying contractual obligations to be incurred for constructing, improving and equipping convention center facilities and the acquisition of sites thereof. Debt service on this bond issue is expected to be paid from collections of Hotel Occupancy taxes, rather than general property taxes.

The City passed Ordinance #089 on June 28, 2010 allowing the City to remove the Texas Municipal Retirement System's statutory maximum contribution rate limit for the Texarkana Water Utilities retirement plan. This limit was not a limit of the cost of the plan, but rather a limit on the maximum a participant could be required to contribute for the plan. The TWU plan's minimum required retirement contribution rate now exceeds this limit and without adoption of this ordinance, TWU would not be meeting the minimum contribution requirements for its TMRS plan. The new statutory rate limit for TWU's full contribution rate for 2011 will be 20.08% and the phase-in rate will be 16.77%.

The City approved the application of different allocation ratios than those used in the fiscal year 2009 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2011. The new funding ratio adopted will be 61.86% Texas and 38.14% Arkansas. The funding ratio used for fiscal year 2010 will be the same as in fiscal year 2009, or 64% Texas and 36% Arkansas.

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through October 4, 2010, the date the financial statements were available to be issued.

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## **Required Supplementary Information**

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# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION - *Three Year Historical Trend* September 30, 2009

### TMRS PLAN #1 - Police Officers

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2006	\$ 10,719,149	\$15,961,373	67.2%	\$ 5,242,224	\$4,211,863	124.5%
12/31/2007	11,080,432	19,893,885	55.7%	8,813,453	4,533,448	194.4%
12/31/2008	12,377,335	21,411,093	57.8%	9,033,758	4,931,618	183.2%

### TMRS PLAN #2 - Other City Employees

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2006	\$ 17,501,517	\$ 21,599,429	81.0%	4,097,912	\$7,173,871	57.1%
12/31/2007	16,414,877	24,373,402	67.3%	7,958,525	7,276,006	109.4%
12/31/2008	17,651,709	26,260,721	67.2%	8,609,012	7,846,154	109.7%

### TMRS PLAN #3 - Water Utilities

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2006	\$9,124,356	\$ 13,738,077	66.4%	\$4,613,721	\$ 5,297,108	87.1%
12/31/2007	9,530,929	17,461,093	54.6%	7,930,164	5,770,038	137.4%
12/31/2008	10,554,367	18,830,089	56.1%	8,275,722	6,203,946	133.4%

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION - Six Year Historical Trend September 30, 2009

### TEXARKANA FIREMEN'S RELIEF AND RETIREMENT

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll(1)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/03 (2)	\$ 17,527,406	20,629,604	3,102,198	85.0%	3,063,870	101.3%
12/31/05 (3)(5)	19,377,655	23,356,110	3,978,455	83.0%	3,468,558	114.7%
12/31/07 (4)(5)	23,463,936	26,506,378	3,042,442	88.5%	3,867,848	78.7%

- (1) The covered payroll is based on estimated annualized salaries used in the valuation.
- (2) Reflects plan benefit provisions effective November 1, 2002.
- (3) Reflects plan benefit provisions effective January 1, 2005.
- (4) Reflects plan benefit provisions effective November 1, 2006.
- (5) Economic and demographic assumptions were revised.

#### *SCHEDULE OF EMPLOYER CONTRIBUTIONS*

<u>Plan Year Ended December 31</u>	<u>Annual Contribution As a Fixed Percentage of Payroll</u>	<u>Annual Required Contribution (1)</u>	<u>Percentage Contributed</u>
2004	13.33%/13.66% (2)	\$ 440,974	100%
2005	13.66% (3)	456,179	100%
2006	14.00% (4)	489,610	100%
2007	14.33% (5)	494,343	100%
2008	14.66% (6)	556,817	100%
2009	15.00%/ 19.50% (7)		

- (1) The annual required contribution is based on actual covered payroll.
- (2) The percentage rate changed from 13.33% to 13.66% as of October 1, 2004.
- (3) The percentage rate remained 13.66% for all of 2005.
- (4) The percentage rate changed from 13.66% to 14% as of January 1, 2006.
- (5) The percentage rate changed from 14% to 14.33% as of January 1, 2007.
- (6) The percentage rate changed from 14.33% to 14.66% as of January 1, 2008.
- (7) The percentage rate changed from 14.66% to 15.00% as of January 1, 2009 and to beginning October 1, 2009.

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## Nonmajor Governmental Funds

### Special Revenue Funds

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

**Police Dog** - This fund was established for contributions to be used towards the purchase of a canine for the police department.

**DARE** - This fund was established for donations from clubs, businesses, etc. to purchase supplies for the promotion of the DARE education program.

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

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

**Teen Court** - This fund was established for tax-exempt contributions from private individuals and companies and to accept teen court fees for the non-profit organization of the Teen Court of Texarkana and to account for the activity of the Juvenile Accountability Grant.

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

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

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

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

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

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



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## Capital Project Funds

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

**Bringle Lake Fund** - This fund was established to account for future improvements to be made at the City owned Bringle Lake.

**1998 Bond Fund**- This fund was established to account for bond proceeds used for street and drainage improvements, the acquisition of land, purchase of a fire truck, acquisition of right of ways and various other improvements.

**2002 Bond Fund** - This fund was established to account for bond proceeds used for improving and constructing streets, acquisition of rights-of-way, and the construction of drainage improvements.

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

**2008 Tax Notes Fund** - This fund was established to account for the anticipation note proceeds used for the purchase of equipment and vehicles, construction of improvements to park and recreation facilities and fire-fighting facilities.

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2009

	<i>Special Revenue Funds</i>		
	<u><i>Police Dog</i></u>	<u><i>DARE</i></u>	<u><i>Housing and Community Development</i></u>
<b>ASSETS</b>			
Cash	\$ 1,006		
Investments			
Receivables (net of allowance for uncollectible):			
Other taxes			
Accounts			
Other government agencies			30,645
Accrued interest			
Loans			650,154
Due from other funds			
<b>TOTAL ASSETS</b>	<u>1,006</u>	<u>-</u>	<u>680,799</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable			1,446
Contracts payable			
Accrued payroll			7,143
Due to other funds			29,606
Unearned revenue			642,604
Other liabilities and escrow deposits			
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>680,799</u>
<b>FUND BALANCES</b>			
Reserved for:			
Noncurrent receivables			
Capital improvements			
Building maintenance			
Scholarships			
Unreserved, designated for convention center			
Unreserved, undesignated	1,006		
<b>TOTAL FUND BALANCE</b>	<u>1,006</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>1,006</u>	<u>-</u>	<u>680,799</u>

(Continued)

*Special Revenue Funds*

<u>HOME</u>	<u>Teen Court</u>	<u>Theatre</u>	<u>Hotel/ Motel Tax</u>	<u>Housing</u>	<u>Economic Development</u>
74,620	58,558	340,967	740,456	85	578,120
		250,000	750,000		950,000
			137,694		38,591
5,433		500		28	117
		72	586		4,411
309,501				734,004	
			2,525		
<u>389,554</u>	<u>58,558</u>	<u>591,539</u>	<u>1,631,261</u>	<u>734,117</u>	<u>1,571,239</u>
		10,429		219	6,327
	1,922			305,613	
8,502					
<u>8,502</u>	<u>1,922</u>	<u>10,429</u>	<u>-</u>	<u>305,832</u>	<u>6,327</u>
303,541				197,075	
		586,574			
	6,282		1,183,828		
77,511	50,354	(5,464)	447,433	231,210	1,564,912
<u>381,052</u>	<u>56,636</u>	<u>581,110</u>	<u>1,631,261</u>	<u>428,285</u>	<u>1,564,912</u>
<u>389,554</u>	<u>58,558</u>	<u>591,539</u>	<u>1,631,261</u>	<u>734,117</u>	<u>1,571,239</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2009

	<i>Special Revenue Funds</i>		
	<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Total Special Revenue</i>
<b>ASSETS</b>			
Cash	21,326	16,786	1,831,924
Investments			1,950,000
Receivables (net of allowance for uncollectible):			-
Other taxes			176,285
Accounts			528
Other government agencies			36,195
Accrued interest			5,069
Loans			1,693,659
Due from other funds			2,525
<b>TOTAL ASSETS</b>	<u>21,326</u>	<u>16,786</u>	<u>5,696,185</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable			18,421
Contracts payable			-
Accrued payroll			9,065
Due to other funds			335,219
Unearned revenue	4,317		646,921
Other liabilities and escrow deposits			8,502
<b>TOTAL LIABILITIES</b>	<u>4,317</u>	<u>-</u>	<u>1,018,128</u>
 <b>FUND BALANCES</b>			
Reserved for:			
Noncurrent receivables			500,616
Capital improvements			-
Building maintenance			586,574
Scholarships			6,282
Unreserved, designated for convention center			1,183,828
Unreserved, undesignated	17,009	16,786	2,400,757
<b>TOTAL FUND BALANCE</b>	<u>17,009</u>	<u>16,786</u>	<u>4,678,057</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>21,326</u>	<u>16,786</u>	<u>5,696,185</u>

**Capital Project Funds**

<b>Bringle Lake</b>	<b>1998 Bond</b>	<b>2002 Bond</b>	<b>2005 Bond</b>	<b>2008 Tax Note</b>	<b>Total Capital Project</b>	<b>Total Nonmajor Governmental Fund</b>
	86,691		203,135	128,369	418,195	2,250,119
	200,000		1,500,000		1,700,000	3,650,000
					-	176,285
					-	528
					-	36,195
	58		1,652		1,710	6,779
					-	1,693,659
					-	2,525
<u>-</u>	<u>286,749</u>	<u>-</u>	<u>1,704,787</u>	<u>128,369</u>	<u>2,119,905</u>	<u>7,816,090</u>
			104,536		104,536	122,957
			37,837		37,837	37,837
					-	9,065
					-	335,219
					-	646,921
					-	8,502
<u>-</u>	<u>-</u>	<u>-</u>	<u>142,373</u>	<u>-</u>	<u>142,373</u>	<u>1,160,501</u>
	242,030		1,113,376		-	500,616
					1,355,406	1,355,406
					-	586,574
					-	6,282
					-	1,183,828
	44,719		449,038	128,369	622,126	3,022,883
<u>-</u>	<u>286,749</u>	<u>-</u>	<u>1,562,414</u>	<u>128,369</u>	<u>1,977,532</u>	<u>6,655,589</u>
<u>-</u>	<u>286,749</u>	<u>-</u>	<u>1,704,787</u>	<u>128,369</u>	<u>2,119,905</u>	<u>7,816,090</u>

(Concluded)

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2009

	<i>Special Revenue Funds</i>		
	<i>Police Dog</i>	<i>DARE</i>	<i>Housing and Community Development</i>
<b>REVENUES:</b>			
Taxes-other			
Franchise receipts			
Charges for services			
Grants and entitlements			570,040
Investment earnings:			
Interest and dividends	3	3	25
Intergovernmental			
Sale of capital assets			
Other			
Total revenues	<u>3</u>	<u>3</u>	<u>570,065</u>
<b>EXPENDITURES:</b>			
Current:			
General government			50,010
Public safety			
Parks and recreation			
Health and welfare			465,181
Capital outlay			
Total expenditures	<u>-</u>	<u>-</u>	<u>515,191</u>
Excess (deficiency) of revenues over expenditures	<u>3</u>	<u>3</u>	<u>54,874</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	584		
Transfers out		(584)	(54,874)
Total other financing sources (uses)	<u>584</u>	<u>(584)</u>	<u>(54,874)</u>
Net change in fund balances	587	(581)	-
Fund balances at beginning of year	<u>419</u>	<u>581</u>	<u>-</u>
Fund balances at end of year	<u>1,006</u>	<u>-</u>	<u>-</u>

*Special Revenue Funds*

<u>HOME</u>	<u>Teen Court</u>	<u>Theatre</u>	<u>Hotel/ Motel Tax</u>	<u>Housing</u>	<u>Economic Development</u>
			1,085,149		407,952
257,582	1,828	33,343	29,932		
	412	5,574	14,846	29	15,295
	13,292			149,495	
	9,130				
<u>257,582</u>	<u>24,662</u>	<u>38,917</u>	<u>1,129,927</u>	<u>149,524</u>	<u>423,247</u>
	51,292				100,783
118,162		269,848	309,500	1,859	
<u>118,162</u>	<u>51,292</u>	<u>269,848</u>	<u>309,500</u>	<u>1,859</u>	<u>100,783</u>
<u>139,420</u>	<u>(26,630)</u>	<u>(230,931)</u>	<u>820,427</u>	<u>147,665</u>	<u>322,464</u>
	5,000	305,000	(345,448)		
<u>-</u>	<u>5,000</u>	<u>305,000</u>	<u>(345,448)</u>	<u>-</u>	<u>-</u>
139,420	(21,630)	74,069	474,979	147,665	322,464
<u>241,632</u>	<u>78,266</u>	<u>507,041</u>	<u>1,156,282</u>	<u>280,620</u>	<u>1,242,448</u>
<u>381,052</u>	<u>56,636</u>	<u>581,110</u>	<u>1,631,261</u>	<u>428,285</u>	<u>1,564,912</u>

(continued)



# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2009

	<i>Special Revenue Funds</i>		
	<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Total Special Revenue</i>
<b>REVENUES:</b>			
Taxes-other			1,085,149
Franchise receipts			407,952
Charges for services			35,171
Grants and entitlements	60,573		918,127
Investment earnings:			
Interest and dividends		81	36,268
Intergovernmental		12,543	25,835
Sale of capital assets			149,495
Other			9,130
Total revenues	<u>60,573</u>	<u>12,624</u>	<u>2,667,127</u>
<b>EXPENDITURES:</b>			
Current:			
General government			202,085
Public safety	39,247	10,198	49,445
Parks and recreation			579,348
Health and welfare			585,202
Capital outlay			-
Total expenditures	<u>39,247</u>	<u>10,198</u>	<u>1,416,080</u>
Excess (deficiency) of revenues over expenditures	<u>21,326</u>	<u>2,426</u>	<u>1,251,047</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	13,550		324,134
Transfers out			(400,906)
Total other financing sources (uses)	<u>13,550</u>	<u>-</u>	<u>(76,772)</u>
Net change in fund balances	34,876	2,426	1,174,275
Fund balances at beginning of year, as previously reported	<u>(17,867)</u>	<u>14,360</u>	<u>3,503,782</u>
Fund balances at end of year	<u><u>17,009</u></u>	<u><u>16,786</u></u>	<u><u>4,678,057</u></u>

*Capital Project Funds*

<i>Bringle Lake</i>	<i>1998 Bond</i>	<i>2002 Bond</i>	<i>2005 Bond</i>	<i>2008 Tax Note</i>	<i>Total Capital Projects</i>	<i>Total Nonmajor Governmental Fund</i>
					-	1,085,149
					-	407,952
					-	35,171
					-	918,127
	1,637		28,360	3,315	33,312	69,580
					-	25,835
					-	149,495
					-	9,130
-	1,637	-	28,360	3,315	33,312	2,700,439
					-	202,085
					-	49,445
					-	579,348
					-	585,202
			1,648,464	117,361	1,765,825	1,765,825
-	-	-	1,648,464	117,361	1,765,825	3,181,905
-	1,637	-	(1,620,104)	(114,046)	(1,732,513)	(481,466)
49,662			179		49,841	373,975
		(179)			(179)	(401,085)
49,662	-	(179)	179	-	49,662	(27,110)
49,662	1,637	(179)	(1,619,925)	(114,046)	(1,682,851)	(508,576)
(49,662)	285,112	179	3,182,339	242,415	3,660,383	7,164,165
-	286,749	-	1,562,414	128,369	1,977,532	6,655,589

# CITY OF TEXARKANA, TEXAS

**TEEN COURT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>REVENUES:</b>				
Charges for services	\$ 1,500	1,850	1,828	(22)
Investment earnings:				
Interest and dividends	1,800	440	412	(28)
Intergovernmental	14,500	14,500	13,292	(1,208)
Other	5,500	9,130	9,130	-
Total revenues	<u>23,300</u>	<u>25,920</u>	<u>24,662</u>	<u>(1,258)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	<u>55,143</u>	<u>51,789</u>	<u>51,292</u>	<u>497</u>
Total expenditures	<u>55,143</u>	<u>51,789</u>	<u>51,292</u>	<u>497</u>
Excess (deficiency) of revenues over expenditures	<u>(31,843)</u>	<u>(25,869)</u>	<u>(26,630)</u>	<u>(761)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<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	(26,843)	(20,869)	(21,630)	(761)
Fund balances at beginning of year	<u>78,266</u>	<u>78,266</u>	<u>78,266</u>	<u>-</u>
Fund balances at end of year	<u>\$ 51,423</u>	<u>57,397</u>	<u>56,636</u>	<u>(761)</u>

# CITY OF TEXARKANA, TEXAS

**THEATRE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Charges for services	\$ 30,000	30,914	33,343	2,429
Investment earnings:				
Interest and dividends	15,500	7,147	5,574	(1,573)
Total revenues	<u>45,500</u>	<u>38,061</u>	<u>38,917</u>	<u>856</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	360,166	281,251	269,848	11,403
Capital outlay	10,000	6,000		6,000
Total expenditures	<u>370,166</u>	<u>287,251</u>	<u>269,848</u>	<u>17,403</u>
Excess (deficiency) of revenues over expenditures	<u>(324,666)</u>	<u>(249,190)</u>	<u>(230,931)</u>	<u>18,259</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	305,000	305,000	305,000	-
Total other financing sources/uses	<u>305,000</u>	<u>305,000</u>	<u>305,000</u>	<u>-</u>
Net change in fund balances	(19,666)	55,810	74,069	18,259
Fund balances at beginning of year	<u>507,041</u>	<u>507,041</u>	<u>507,041</u>	<u>-</u>
Fund balances at end of year	<u>\$ 487,375</u>	<u>562,851</u>	<u>581,110</u>	<u>18,259</u>

# CITY OF TEXARKANA, TEXAS

**HOTEL/MOTEL TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Taxes-other	\$ 963,000	1,305,000	1,085,149	(219,851)
Grants and entitlements		29,932	29,932	-
Investment earnings:				
Interest and dividends	32,500	17,925	14,846	(3,079)
Total revenues	<u>995,500</u>	<u>1,352,857</u>	<u>1,129,927</u>	<u>(222,930)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	494,636	428,839	309,500	119,339
Total expenditures	<u>494,636</u>	<u>428,839</u>	<u>309,500</u>	<u>119,339</u>
Excess of revenues over expenditures	<u>500,864</u>	<u>924,018</u>	<u>820,427</u>	<u>(103,591)</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(305,000)	(305,000)	(345,448)	(40,448)
Total other financing uses	<u>(305,000)</u>	<u>(305,000)</u>	<u>(345,448)</u>	<u>(40,448)</u>
Net change in fund balances	195,864	619,018	474,979	(144,039)
Fund balances at beginning of year	<u>1,156,282</u>	<u>1,156,282</u>	<u>1,156,282</u>	<u>-</u>
Fund balances at end of year	<u>\$1,352,146</u>	<u>1,775,300</u>	<u>1,631,261</u>	<u>(144,039)</u>

# CITY OF TEXARKANA, TEXAS

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**ECONOMIC DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<u><i>Original</i></u>	<u><i>Final</i></u>		
<b>REVENUES:</b>				
Franchise receipts	\$ 436,000	440,000	407,952	(32,048)
Investment earnings:				
Interest and dividends	<u>39,000</u>	<u>18,500</u>	<u>15,295</u>	<u>(3,205)</u>
Total revenues	<u>475,000</u>	<u>458,500</u>	<u>423,247</u>	<u>(35,253)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	<u>270,500</u>	<u>284,145</u>	<u>100,783</u>	<u>183,362</u>
Total expenditures	<u>270,500</u>	<u>284,145</u>	<u>100,783</u>	<u>183,362</u>
Net change in fund balances	204,500	174,355	322,464	148,109
Fund balances at beginning of year	<u>1,242,448</u>	<u>1,242,448</u>	<u>1,242,448</u>	<u>-</u>
Fund balances at end of year	<u>\$1,446,948</u>	<u>1,416,803</u>	<u>1,564,912</u>	<u>148,109</u>

# CITY OF TEXARKANA, TEXAS

**LAW ENFORCEMENT BLOCK GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Grants and entitlements	\$ 30,287	35,284	60,573	25,289
Investment earnings:				
Interest and dividends	50			-
Total revenues	<u>30,337</u>	<u>35,284</u>	<u>60,573</u>	<u>25,289</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>30,287</u>	<u>35,284</u>	<u>39,247</u>	<u>(3,963)</u>
Total expenditures	<u>30,287</u>	<u>35,284</u>	<u>39,247</u>	<u>(3,963)</u>
Excess (deficiency) of revenues over expenditures	<u>50</u>	<u>-</u>	<u>21,326</u>	<u>21,326</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in			<u>13,550</u>	<u>13,550</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>13,550</u>	<u>13,550</u>
Net change in fund balances	50	-	34,876	34,876
Fund balances at beginning of year	<u>(17,867)</u>	<u>(17,867)</u>	<u>(17,867)</u>	<u>-</u>
Fund balances at end of year	<u><u>\$(17,817)</u></u>	<u><u>(17,867)</u></u>	<u><u>17,009</u></u>	<u><u>34,876</u></u>

# CITY OF TEXARKANA, TEXAS

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**LAW ENFORCEMENT PROGRAMS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Interest	\$ 450	85	81	(4)
Intergovernmental	12,800	12,542	12,543	1
Total revenues	<u>13,250</u>	<u>12,627</u>	<u>12,624</u>	<u>(3)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>12,750</u>	<u>12,750</u>	<u>10,198</u>	<u>2,552</u>
Total expenditures	<u>12,750</u>	<u>12,750</u>	<u>10,198</u>	<u>2,552</u>
Net change in fund balances	500	(123)	2,426	2,549
Fund balances at beginning of year	<u>14,360</u>	<u>14,360</u>	<u>14,360</u>	<u>-</u>
Fund balances at end of year	<u>\$ 14,860</u>	<u>14,237</u>	<u>16,786</u>	<u>2,549</u>



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## **Nonmajor Enterprise Funds**

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

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

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

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS September 30, 2009

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash		132,169	132,169
Receivables (net of allowance for uncollectible):			
Accounts		46,785	46,785
Due from other funds		55	55
Total current assets	<u>-</u>	<u>179,009</u>	<u>179,009</u>
Noncurrent assets:			
Restricted assets:			
Cash	69,743	124,377	194,120
Investments	1,351,272		1,351,272
Receivables:			
Accounts		93,728	93,728
Accrued interest	1,352		1,352
Total noncurrent assets	<u>1,422,367</u>	<u>218,105</u>	<u>1,640,472</u>
<b>TOTAL ASSETS</b>	<u>1,422,367</u>	<u>397,114</u>	<u>1,819,481</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,677	57,934	60,611
Accrued liabilities		4,821	4,821
Due to other funds	5,919	88,179	94,098
Total current liabilities	<u>8,596</u>	<u>150,934</u>	<u>159,530</u>
Noncurrent liabilities:			
Capital improvement deposits	1,413,771	246,180	1,659,951
Total noncurrent liabilities	<u>1,413,771</u>	<u>246,180</u>	<u>1,659,951</u>
<b>TOTAL LIABILITIES</b>	<u>1,422,367</u>	<u>397,114</u>	<u>1,819,481</u>
<b>NET ASSETS</b>			
Unrestricted			-
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2009

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Water sales	\$ -	1,008,540	1,008,540
Total operating revenues	<u>-</u>	<u>1,008,540</u>	<u>1,008,540</u>
<b>OPERATING EXPENSES</b>			
Contract water & sewer expense-International Paper	<u>-</u>	<u>1,010,037</u>	<u>1,010,037</u>
Total operating expense	<u>-</u>	<u>1,010,037</u>	<u>1,010,037</u>
Operating income (loss)	<u>-</u>	<u>(1,497)</u>	<u>(1,497)</u>
<b>NONOPERATING REVENUES</b>			
Interest revenue - investments	<u>-</u>	<u>1,497</u>	<u>1,497</u>
Total nonoperating revenues	<u>-</u>	<u>1,497</u>	<u>1,497</u>
Change in net assets	-	-	-
Total net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2009

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ -	1,160,702	1,160,702
Cash paid to suppliers		(919,974)	(919,974)
Cash paid to employees		(110,124)	(110,124)
Net cash used from operating activities	<u>-</u>	<u>130,604</u>	<u>130,604</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(174,856)		(174,856)
Capital improvement deposits received	103,213		103,213
Interest received on capital improvement deposits	24,294		24,294
Net cash used from capital and related financing activities	<u>(47,349)</u>	<u>-</u>	<u>(47,349)</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments	(3,202,545)		(3,202,545)
Proceeds from sale and maturities of investments	3,151,272	100,000	3,251,272
Interest received on investments		3,107	3,107
Net cash provided from investing activities	<u>(51,273)</u>	<u>103,107</u>	<u>51,834</u>
Net increase (decrease) in cash	(98,622)	233,711	135,089
Cash, beginning of year	<u>168,365</u>	<u>22,835</u>	<u>191,200</u>
Cash, end of year	<u>\$ 69,743</u>	<u>256,546</u>	<u>326,289</u>

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2009

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b><u>Reconciliation of operating income to net cash provided by operating activities</u></b>			
Operating income (loss)	\$ -	(1,497)	(1,497)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
(Increase) decrease in assets:			
Accounts receivable		152,217	152,217
Due from other funds		(1,141)	(1,141)
Increase (decrease) in liabilities:			
Accounts payable		(24,797)	(24,797)
Accrued liabilities		1,357	1,357
Due to other funds		4,465	4,465
Total adjustments	<u>-</u>	<u>132,101</u>	<u>132,101</u>
Net cash provided from operating activities	<u>\$ -</u>	<u>130,604</u>	<u>130,604</u>

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## **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governments, on a cost-reimbursement basis.

**Employee Benefit Fund** - This fund is used to account for the contributions received from various other City funds and employees to pay medical benefits and life insurance premiums for covered City employees. Payments are made to a paying agent who determines coverage on claims submitted by employees.

**Fleet Services Fund** - This fund is used to account for the repair and maintenance on all vehicles and equipment owned by the City, excluding the Water Utilities.

**Capital Replacement Fund** – This fund is to utilize City contributions in the most effective and cost efficient ways to provide department with motor vehicles, rolling stock and other equipment they need to successfully achieve their responsibilities to the citizens.



# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS September 30, 2009

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Capital Replacement</i>	<i>Total</i>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 723,071	310	17,202	740,583
Investments	1,500,000			1,500,000
Receivables (net of allowance for uncollectible):				
Accrued interest	1,073			1,073
Other government agencies	808	12,633		13,441
Due from other funds		125,490		125,490
Due from component units		66		66
Inventory		59,547		59,547
<b>Total current assets</b>	<u>2,224,952</u>	<u>198,046</u>	<u>17,202</u>	<u>2,440,200</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)				
Buildings		116,978		116,978
Improvements other than buildings		28,994		28,994
Machinery and equipment		21,415		21,415
Licensed vehicles		6,218		6,218
<b>Total capital assets (net of accumulated depreciation)</b>	<u>-</u>	<u>173,605</u>	<u>-</u>	<u>173,605</u>
<b>TOTAL ASSETS</b>	<u>2,224,952</u>	<u>371,651</u>	<u>17,202</u>	<u>2,613,805</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	262,660	43,075		305,735
Accrued payroll		21,501		21,501
Due to other funds	21,212	159,247		180,459
<b>TOTAL LIABILITIES</b>	<u>283,872</u>	<u>223,823</u>	<u>-</u>	<u>507,695</u>
<b>NET ASSETS</b>				
Invested in capital assets		173,605		173,605
Unrestricted (deficit)	1,941,080	(25,777)	17,202	1,932,505
<b>TOTAL NET ASSETS</b>	<u>\$ 1,941,080</u>	<u>147,828</u>	<u>17,202</u>	<u>2,106,110</u>

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2009

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Capital Replacement</i>	<i>Total</i>
<b>OPERATING REVENUES</b>				
Charges for services	\$4,365,121	1,493,600		5,858,721
Other	4,637	677		5,314
Total revenues	<u>4,369,758</u>	<u>1,494,277</u>	<u>-</u>	<u>5,864,035</u>
<b>OPERATING EXPENSES</b>				
Benefit payments	3,939,533			3,939,533
Cost of sales and service		1,539,579		1,539,579
Depreciation		15,324		15,324
Total expenditures	<u>3,939,533</u>	<u>1,554,903</u>	<u>-</u>	<u>5,494,436</u>
Operating income (loss)	<u>430,225</u>	<u>(60,626)</u>	<u>-</u>	<u>369,599</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	25,083	247	18	25,348
Gain on sale of capital assets			17,184	17,184
Total nonoperating revenues (expenses)	<u>25,083</u>	<u>247</u>	<u>17,202</u>	<u>42,532</u>
Change in net assets	455,308	(60,379)	17,202	412,131
Total net assets - beginning	<u>1,485,772</u>	<u>208,207</u>		<u>1,693,979</u>
Total net assets -ending	<u>\$1,941,080</u>	<u>147,828</u>	<u>17,202</u>	<u>2,106,110</u>

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2009

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Capital Replacement</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>				
Cash received from users	\$1,277,089			1,277,089
Cash received from interfund services provided and used	3,092,438	1,405,185		4,497,623
Cash paid to suppliers	(3,941,155)	(1,074,190)		(5,015,345)
Cash paid to employees		(331,065)		(331,065)
Net cash provided (used) from operating activities	<u>428,372</u>	<u>(70)</u>	<u>-</u>	<u>428,302</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds received from sale of capital assets			17,184	17,184
<b>Cash flows from investing activities:</b>				
Purchase of investments	(3,000,000)			(3,000,000)
Proceeds from sale of investment	1,700,000			1,700,000
Interest received from investment	25,780	247	18	26,045
Net cash provided (used) from investing activities	<u>(1,274,220)</u>	<u>247</u>	<u>18</u>	<u>(1,273,955)</u>
Net increase (decrease) in cash	(845,848)	177	17,202	(828,469)
Cash at beginning of year	1,568,919	133		1,569,052
Cash at end of year	<u>723,071</u>	<u>310</u>	<u>17,202</u>	<u>740,583</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>				
<b><u>Provided by Operating Activities</u></b>				
Operating income (loss)	430,225	(60,626)	-	369,599
<b>Adjustments to Reconcile Operating Income to Net Cash</b>				
<b>Provided by Operating Activities</b>				
Depreciation		15,324		15,324
<b>(Increase) decrease in assets:</b>				
Due from other government agencies	(231)	7,406		7,175
Due from other funds		(98,124)		(98,124)
Due from component units		1,626		1,626
Inventory		(2,604)		(2,604)
<b>Increase (decrease) in liabilities:</b>				
Accrued liabilities	(1,622)	(22,960)		(24,582)
Accrued payroll		3,535		3,535
Due to other funds		156,353		156,353
Total adjustments	<u>(1,853)</u>	<u>60,556</u>	<u>-</u>	<u>58,703</u>
Net cash provided by operating activities	<u>\$ 428,372</u>	<u>(70)</u>	<u>-</u>	<u>428,302</u>

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## **Fiduciary Funds**

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

### **Agency Funds**

**Police Evidence Fund** - This fund is used to account for evidence money seized by the Police Department. This money is held until disposition is directed by the courts.

**Drug Enforcement Fund** - This fund is used to account for evidence money seized by the Police Department, primarily in drug related cases. This money is held until disposition is directed by the courts.

**Pending Seizure Fund** - This fund is used to account for evidence money seized by the special drug task force of the Police Department. This money is held until disposition is directed by the courts.

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended September 30, 2009

	<i>Balance October 1, 2008</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2009</i>
<b>POLICE EVIDENCE FUND</b>				
<b>Assets</b>				
Cash	10,836		14	10,850
<b>Total Assets</b>	<u>10,836</u>	<u>-</u>	<u>14</u>	<u>10,850</u>
<b>Liabilities</b>				
Escrow Deposits	10,836	29	(15)	10,850
<b>Total Liabilities</b>	<u>10,836</u>	<u>29</u>	<u>(15)</u>	<u>10,850</u>
<b>Net assets</b>	<u>-</u>	<u>(29)</u>	<u>29</u>	<u>-</u>
<b>DRUG ENFORCEMENT ESCROW FUND</b>				
<b>Assets</b>				
Cash	\$ 104,854	70,651	(71,740)	103,765
<b>Total Assets</b>	<u>104,854</u>	<u>70,651</u>	<u>(71,740)</u>	<u>103,765</u>
<b>Liabilities</b>				
Escrow deposits	104,854	69,384	(70,473)	103,765
<b>Total liabilities</b>	<u>104,854</u>	<u>69,384</u>	<u>(70,473)</u>	<u>103,765</u>
<b>Net assets</b>	<u>-</u>	<u>1,267</u>	<u>(1,267)</u>	<u>-</u>
<b>PENDING SEIZURE FUND</b>				
<b>Assets</b>				
Cash	\$ -	1,293		1,293
<b>Total assets</b>	<u>-</u>	<u>1,293</u>	<u>-</u>	<u>1,293</u>
<b>Liabilities</b>				
Escrow deposits	-	1,293		1,293
<b>Total liabilities</b>	<u>-</u>	<u>1,293</u>	<u>-</u>	<u>1,293</u>
<b>Net assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash	\$ 115,690	71,944	(71,726)	115,908
<b>Total assets</b>	<u>115,690</u>	<u>71,944</u>	<u>(71,726)</u>	<u>115,908</u>
<b>Liabilities</b>				
Escrow deposits	115,690	70,706	(70,488)	115,908
<b>Total liabilities</b>	<u>115,690</u>	<u>70,706</u>	<u>(70,488)</u>	<u>115,908</u>
<b>Net assets</b>	<u>-</u>	<u>1,238</u>	<u>(1,238)</u>	<u>-</u>

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**Capital Assets  
Used in the Operation  
Of Governmental Funds**

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# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE

September 30, 2009

### Governmental funds capital assets:

Land	\$ 44,002,429
Buildings	25,207,718
Improvements other than buildings	5,956,098
Infrastructure	96,478,992
Machinery and equipment	1,535,912
Licensed vehicles	7,036,378
Construction in progress	3,742,282
Total governmental funds capital assets	<u>\$ 183,959,809</u>

### Investments in governmental funds capital assets by source:

General fund	\$ 133,941,730
Special revenue funds	3,644,425
Capital projects funds	46,373,654
Total governmental funds capital assets	<u>\$ 183,959,809</u>

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



# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2009

<b>Function and activity</b>	<u><i>Land</i></u>	<u><i>Buildings</i></u>	<u><i>Improvements other than Buildings</i></u>
General government			
Finance administration			
Purchasing		177,404	
Accounting			
Building maintenance		1,900,832	133,102
Other - unclassified	44,002,429		
Total general government	<u>44,002,429</u>	<u>2,078,236</u>	<u>133,102</u>
Public safety			
Police administration		12,069,245	167,088
Patrol division			
Services division			
Criminal investigation			
Animal control			
Special operations			
Narcotics			
Fire operations		1,630,761	136,237
Fire prevention			
Fire training		791,009	
Emergency management			
Total public safety	<u>-</u>	<u>14,491,015</u>	<u>303,325</u>
Public works			
Public works administration			
Engineering design			
Street maintenance		460,894	128,269
Inspection			
Sign and signal		239,764	64,064
Total public works	<u>-</u>	<u>700,658</u>	<u>192,333</u>
Health and welfare			
Community development		6,500	
Environmental services			
Total health and welfare	<u>-</u>	<u>6,500</u>	<u>-</u>

<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Licensed Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
	5,214			5,214
		8,402		185,806
	19,427			19,427
				2,033,934
				44,002,429
<u>-</u>	<u>24,641</u>	<u>8,402</u>	<u>-</u>	<u>46,246,810</u>
	6,000	94,755		12,337,088
	76,440	754,264		830,704
	11,017	128,374		139,391
	30,452	279,170		309,622
		78,684		78,684
	15,188	25,650		40,838
	14,150	15,967		30,117
12,493	213,971	2,637,661		4,631,123
	14,309	62,001		76,310
		17,424		808,433
	128,161	50,789		178,950
<u>12,493</u>	<u>509,688</u>	<u>4,144,739</u>	<u>-</u>	<u>19,461,260</u>
	7,490			7,490
	54,918	58,824		113,742
92,932,518	478,974	2,096,124	3,691,185	99,787,964
		78,640		78,640
3,354,974	123,258	154,306		3,936,366
<u>96,287,492</u>	<u>664,640</u>	<u>2,387,894</u>	<u>3,691,185</u>	<u>103,924,202</u>
		16,600		23,100
	11,271	12,388		23,659
<u>-</u>	<u>11,271</u>	<u>28,988</u>	<u>-</u>	<u>46,759</u>

# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY

September 30, 2009

<b>Function and activity</b>	<u><i>Land</i></u>	<u><i>Buildings</i></u>	<u><i>Improvements other than Buildings</i></u>
Parks and recreation			
Parks maintenance		2,063,604	1,115,456
Recreational programs		54,874	4,044,102
Perot Theatre		2,961,830	51,468
Senior citizens programs		103,800	70,084
Beverly Center		125,960	
Library		2,621,241	46,228
Total parks and recreation	<u>-</u>	<u>7,931,309</u>	<u>5,327,338</u>
Total governmental funds capital assets	<u>\$ 44,002,429</u>	<u>25,207,718</u>	<u>5,956,098</u>

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

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<u><i>Infrastructure</i></u>	<u><i>Machinery and Equipment</i></u>	<u><i>Licensed Vehicles</i></u>	<u><i>Construction in Progress</i></u>	<u><i>Total</i></u>
111,858	180,040	466,355	51,097	3,988,410
	69,418			4,168,394
	69,776			3,083,074
				173,884
				125,960
67,149	6,438			2,741,056
<u>179,007</u>	<u>325,672</u>	<u>466,355</u>	<u>51,097</u>	<u>14,280,778</u>
<u>96,478,992</u>	<u>1,535,912</u>	<u>7,036,378</u>	<u>3,742,282</u>	<u>183,959,809</u>

# CITY OF TEXARKANA, TEXAS

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY For the Year Ended September 30, 2009

<b>Function and activity</b>	<b><i>Governmental Funds Capital Assets 9/30/2008</i></b>	<b><i>Additions</i></b>
<b>General government</b>		
Finance administration	5,214	
Purchasing	185,806	
Accounting	19,427	
Building maintenance	2,033,934	
Other - unclassified	43,622,977	192,240
Total general government	<u>45,867,358</u>	<u>192,240</u>
<b>Public safety</b>		
Police administration	12,337,088	
Patrol division	896,646	7,992
Services division	139,391	
Criminal investigation	315,745	30,965
Animal control	78,684	
Special operations	40,838	
Narcotics	30,117	
Fire administration	6,614	
Fire operations	5,378,979	22,840
Fire prevention	76,310	
Fire training	17,424	53,383
Emergency management	178,950	
Total public safety	<u>19,496,786</u>	<u>115,180</u>
<b>Public works</b>		
Public works administration	7,490	
Engineering design	108,618	5,124
Street maintenance	96,803,670	3,171,506
Inspection	78,640	
Sign and signal	3,936,366	
Total public works	<u>100,934,784</u>	<u>3,176,630</u>
<b>Health and welfare</b>		
Community development	44,355	
Environmental services		23,659
Total health and welfare	<u>44,355</u>	<u>23,659</u>

<u>Deductions</u>	<u>Transfers</u>	<i>Governmental Funds Capital Assets 9/30/2009</i>
		5,214
		185,806
		19,427
		2,033,934
	187,212	44,002,429
-	187,212	46,246,810
		12,337,088
(73,934)		830,704
		139,391
(37,088)		309,622
		78,684
		40,838
		30,117
(6,614)		-
(33,070)	(737,626)	4,631,123
		76,310
	737,626	808,433
		178,950
(150,706)	-	19,461,260
		7,490
		113,742
	(187,212)	99,787,964
		78,640
		3,936,366
-	(187,212)	103,924,202
		23,100
(21,255)		23,659
(21,255)	-	46,759

# CITY OF TEXARKANA, TEXAS

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY For the Year Ended September 30, 2009

<b>Function and activity</b>	<b><i>Governmental Funds Capital Assets</i></b> <b><u>9/30/2008</u></b>	<b><i>Additions</i></b>
Parks and recreation		
Parks maintenance	3,728,223	260,187
Recreational programs	4,113,520	54,874
Perot Theatre	3,083,074	
Senior citizens programs	173,884	
Beverly Center	125,960	
Library	2,741,056	
Total parks and recreation	<u>13,965,717</u>	<u>315,061</u>
 Total governmental funds capital assets	 <u>180,309,000</u>	 <u>3,799,111</u>

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

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<u>Deductions</u>	<u>Transfers</u>	<i>Governmental Funds Capital Assets 9/30/2009</i>
		3,988,410
		4,168,394
		3,083,074
		173,884
		125,960
		<u>2,741,056</u>
<u>-</u>	<u>-</u>	<u>14,280,778</u>
<u>(171,961)</u>	<u>-</u>	<u>183,959,809</u>



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## **Component Units**

# CITY OF TEXARKANA, TEXAS

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## BALANCE SHEET COMPONENT UNITS September 30, 2009

	<i>Health</i>	<i>Public Library</i>
<b>ASSETS</b>		
Cash	463,352	481,545
Investments		387,386
Receivables (net of allowance for uncollectible):		
Accounts	451	
Other government agencies	78,597	
Accrued interest		306
Due from other governments		19,753
Prepaid items		461
<b>TOTAL ASSETS</b>	<u>542,400</u>	<u>889,451</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	28,051	22,298
Accrued payroll	41,415	22,354
Due to primary government	76	
<b>TOTAL LIABILITIES</b>	<u>69,542</u>	<u>44,652</u>
Fund Balances:		
Reserved for:		
Prepaid items		461
Endowed principal		10,000
Unreserved, undesignated	472,858	834,338
<b>TOTAL FUND BALANCES</b>	<u>472,858</u>	<u>844,799</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>542,400</u>	<u>889,451</u>

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNITS For the Year Ended September 30, 2009

	<u>Health</u>	<u>Public Library</u>
<b>REVENUES</b>		
Charges for services	\$ 318,610	45,555
Grants and entitlements	752,959	32,144
Investment earnings:		
Interest and dividends	116	18,395
Net increase in fair value of investments		9,602
Intergovernmental	146,974	803,961
Other	14,175	67,115
Total revenues	<u>1,232,834</u>	<u>976,772</u>
<b>EXPENDITURES</b>		
Current:		
Culture and recreation		856,741
Health and welfare	1,231,160	
Capital outlay		26,224
Total expenditures	<u>1,231,160</u>	<u>882,965</u>
Net change in fund balance	1,674	93,807
Fund balance at beginning of year	<u>471,184</u>	<u>750,992</u>
Fund balance at end of year	<u>\$ 472,858</u>	<u>844,799</u>

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## **Statistical Section**

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## Statistical Section

This part of the City of Texarkana, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Financial Trends** - Schedule 1 through Schedule 6 - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity** - Schedule 7 through Schedule 14 - These schedules contain information to help the reader assess the City's most significant local revenue sources, including property taxes and water and sewer revenue.

**Debt Capacity** - Schedule 15 through Schedule 19 - The schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information** - Schedule 20 through Schedule 21 - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** - Schedule 22 through Schedule 24 - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.



# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Net Assets by Component

#### Last Four Fiscal Years

##### Schedule 1

(accrual basis of accounting)

	<u>2005</u>
Governmental activities:	
Invested in capital assets, net of related debt	\$ 74,294,428
Restricted	2,276,875
Unrestricted	<u>13,254,500</u>
Total governmental activities net assets	<u><u>89,825,803</u></u>
Business-type activities:	
Invested in capital assets, net of related debt	52,418,769
Restricted	7,530,857
Unrestricted (deficit)	<u>6,064,248</u>
Total business-type activities net assets	<u><u>66,013,874</u></u>
Primary government	
Invested in capital assets, net of related debt	126,713,197
Restricted	9,807,732
Unrestricted	<u>19,318,748</u>
Total primary government net assets	<u><u>155,839,677</u></u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited -see accompanying auditors' report*

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*Fiscal Year*

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
75,882,325	76,103,232	76,349,021	75,187,833
3,858,131	3,808,754	3,955,059	4,597,610
<u>10,442,284</u>	<u>16,623,006</u>	<u>14,341,579</u>	<u>16,619,162</u>
<u>90,182,740</u>	<u>96,534,992</u>	<u>94,645,659</u>	<u>96,404,605</u>
53,583,586	55,838,951	57,848,213	57,582,403
7,524,832	8,176,712	6,458,586	7,646,353
<u>7,207,285</u>	<u>6,079,546</u>	<u>5,662,181</u>	<u>4,777,364</u>
<u>68,315,703</u>	<u>70,095,209</u>	<u>69,968,980</u>	<u>70,006,120</u>
135,935,912	131,942,183	134,197,234	132,770,236
11,382,963	11,985,466	10,413,645	12,243,963
<u>11,179,568</u>	<u>22,702,552</u>	<u>20,003,760</u>	<u>21,396,526</u>
<u>158,498,443</u>	<u>166,630,201</u>	<u>164,614,639</u>	<u>166,410,725</u>

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Changes in Net Assets

### Last Four Fiscal Years

### Schedule 2

(accrual basis of accounting)

	<u>2005</u>
<b>Expenses</b>	
Governmental activities:	
Current:	
General government	\$ 5,740,531
Public safety	13,243,055
Public works	5,632,282
Parks and recreation	2,398,572
Health and welfare	838,040
Miscellaneous	
Interest on long-term debt	<u>1,297,580</u>
Total governmental activities expenses	<u>29,150,060</u>
Business-type activities:	
Water and Sewer	<u>13,147,935</u>
Total business-type activities expenses	<u>13,147,935</u>
Total primary government expenses	<u><u>42,297,995</u></u>
<b>Program Revenues</b>	
Governmental activities:	
Charges for services:	
General government	744,237
Public safety	1,029,318
Other activities	506,723
Operating grants and contributions	1,419,592
Capital grants and contributions	
Total governmental activities program revenues	<u>3,699,870</u>
Business-type activities:	
Charges for services:	
Water and sewer	13,227,921
Capital grants and contributions	<u>90,800</u>
Total business-type activities program revenues	<u>13,318,721</u>
Total primary government program revenues	<u><u>\$ 17,018,591</u></u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited -see accompanying auditors' report*

<i>Fiscal Year</i>			
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
6,146,510	6,612,065	7,494,737	6,636,040
13,182,978	13,517,972	13,812,910	16,017,900
5,832,473	5,956,957	5,682,854	6,689,575
2,520,349	2,632,806	2,926,214	2,726,053
1,250,425	1,260,117	1,391,078	1,710,261
			628,994
<u>2,056,693</u>	<u>1,954,819</u>	<u>1,947,304</u>	<u>1,868,860</u>
<u>30,989,428</u>	<u>31,934,736</u>	<u>33,255,097</u>	<u>36,277,683</u>
<u>13,348,455</u>	<u>13,931,868</u>	<u>15,361,311</u>	<u>16,166,206</u>
<u>13,348,455</u>	<u>13,931,868</u>	<u>15,361,311</u>	<u>16,166,206</u>
<u>44,337,883</u>	<u>45,866,604</u>	<u>48,616,408</u>	<u>52,443,889</u>
995,303	1,081,360	966,780	978,806
1,488,121	1,506,126	1,839,093	2,148,979
459,752	496,407	607,380	572,359
1,183,307	1,616,829	1,476,933	2,513,783
		355,900	
<u>4,126,483</u>	<u>4,700,722</u>	<u>5,246,086</u>	<u>6,213,927</u>
14,351,535	13,453,857	13,988,748	15,184,072
<u>1,054</u>	<u>879,848</u>	<u>41,822</u>	
<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>
<u>18,479,072</u>	<u>19,034,427</u>	<u>19,276,656</u>	<u>21,397,999</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Changes in Net Assets

### Last Four Fiscal Years

### Schedule 2 Continued

	<u>2005</u>
<b>Net (Expense)/Revenue</b>	
Governmental activities	\$(25,450,190)
Business-type activities	170,786
Total primary government net expense	<u>(25,279,404)</u>
<b>General Revenues and Other Changes in Net Assets</b>	
Governmental activities:	
Property taxes	8,582,181
Sales taxes	11,520,058
Franchise taxes	1,969,038
Other taxes	932,178
Unrestricted investment earnings	592,936
Gain on sale of capital assets	
Miscellaneous	403,711
Transfers	83,900
Total governmental activities	<u>24,084,002</u>
Business-type activities:	
Unrestricted investment earnings	581,326
Gain on sale of capital assets	2,185
Miscellaneous	834,342
Transfers	(83,900)
Total business-type activities program revenues	<u>1,333,953</u>
<b>Change in Net Assets</b>	
Governmental activities	(1,366,188)
Business-type activities	1,504,739
Total primary government	<u>\$ 138,551</u>

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

(Concluded)

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Program Revenues by Function/ Program

#### Last Four Fiscal Years

#### Schedule 3

(accrual basis of accounting)

	<u>2005</u>
<b>Function/ Program</b>	
Governmental activities:	
General government	\$ 816,697
Public safety	1,758,076
Public works	283,348
Parks and Recreation	156,632
Health and welfare	<u>685,117</u>
Subtotal governmental activities	<u>3,699,870</u>
<i>Business-type activities:</i>	
Water and sewer	<u>13,318,721</u>
Subtotal business-type activities	<u>13,318,721</u>
Total primary government	<u><u>\$ 17,018,591</u></u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

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*Program Revenues*

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1,035,897	1,231,574	1,565,525	1,436,165
1,831,168	2,019,494	2,153,738	2,991,916
313,885	444,022	671,838	446,057
167,308	199,088	167,696	238,500
<u>778,225</u>	<u>806,544</u>	<u>687,289</u>	<u>1,101,289</u>
<u>4,126,483</u>	<u>4,700,722</u>	<u>5,246,086</u>	<u>6,213,927</u>
<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>
<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>
<u><u>18,479,072</u></u>	<u><u>19,034,427</u></u>	<u><u>19,276,656</u></u>	<u><u>21,397,999</u></u>



# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Fund Balances, Governmental Funds,**  
**Last Five Fiscal Years**  
**Schedule 4**  
(modified accrual basis of accounting)

	<i>Fiscal Year</i>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Fund</b>					
Reserved	332,751	384,658	425,905	491,130	372,368
Unreserved, designated for:					
Subsequent expenditures	985,581	732,852	504,565	205,066	551,949
Unreserved, reported in:					
General fund	<u>1,977,402</u>	<u>1,985,615</u>	<u>2,990,900</u>	<u>3,595,302</u>	<u>4,245,301</u>
Total general fund	<u><u>3,295,734</u></u>	<u><u>3,103,125</u></u>	<u><u>3,921,370</u></u>	<u><u>4,291,498</u></u>	<u><u>5,169,618</u></u>
<b>All Other Governmental Funds</b>					
Reserved	24,685,615	21,604,607	12,395,257	7,093,884	4,356,314
Unreserved, designated for:					
Convention center			469,717	827,949	1,183,828
Unreserved, reported in:					
Special revenue fund	246,959	564,945	1,474,430	1,757,441	2,400,757
Debt service fund	1,410,722	1,588,486	1,779,458	1,748,284	1,707,982
Capital projects fund	<u>2,950,060</u>	<u>1,345,965</u>	<u>1,841,743</u>	<u>786,593</u>	<u>622,126</u>
Total all other governmental funds	<u><u>29,293,356</u></u>	<u><u>25,104,003</u></u>	<u><u>17,960,605</u></u>	<u><u>12,214,151</u></u>	<u><u>10,271,007</u></u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION Changes in Fund Balances, Governmental Funds Last Five Fiscal Years Schedule 5

(modified accrual basis of accounting)

	<i>Fiscal Year</i>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>REVENUES:</b>					
Taxes	\$23,112,100	25,243,079	26,545,692	27,941,371	30,037,456
Fees and permits	343,759	426,164	219,157	309,680	395,834
Charges for services	589,071	620,418	775,330	694,878	677,603
Municipal court	895,266	1,251,154	1,428,189	1,734,734	2,051,942
Grants and entitlements	1,043,160	939,334	929,462	884,610	1,182,928
Rental	10,828	15,565	16,785	28,990	16,938
Investment earnings	475,944	1,557,036	1,377,117	620,674	173,039
Intergovernmental	197,474	213,570	504,807	284,794	507,715
Other	303,120	388,964	585,450	992,189	918,426
Total revenues	<u>26,970,722</u>	<u>30,655,284</u>	<u>32,381,989</u>	<u>33,491,920</u>	<u>35,961,881</u>
<b>EXPENDITURES:</b>					
Current:					
General government	5,420,827	5,627,117	6,240,999	7,171,027	6,326,081
Public safety	11,738,759	12,428,580	12,823,379	13,615,418	15,178,168
Public works	3,340,575	3,399,674	3,806,711	3,467,370	4,036,371
Parks and recreation	1,882,981	2,076,854	2,151,789	2,496,629	2,159,831
Health and welfare	198,072	596,843	674,659	613,902	1,497,632
Miscellaneous	467,717	504,364	410,378	612,979	9,609
Capital outlay	4,690,270	6,235,723	9,738,050	7,960,625	3,650,301
Debt service:					
Principal retirement	2,116,829	2,553,606	2,798,292	2,583,789	2,685,087
Interest and fiscal charges	943,887	1,682,159	1,588,909	1,573,889	1,502,725
Bond issuance costs	229,878	73,907		12,820	
Total expenditures	<u>31,029,795</u>	<u>35,178,827</u>	<u>40,233,166</u>	<u>40,108,448</u>	<u>37,045,805</u>
Excess (deficiency) of revenues over expenditures	<u>(4,059,073)</u>	<u>(4,523,543)</u>	<u>(7,851,177)</u>	<u>(6,616,528)</u>	<u>(1,083,924)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	646,229	404,381	555,206	408,440	488,197
Transfers out	(562,329)	(367,678)	(540,898)	(391,115)	(469,297)
Bonds issued	17,750,000	3,060,000			
Tax notes issued				1,200,000	
Payments to refunded bond escrow agent	-	(3,024,153)			
Bond premium	319,878	-			
Capital lease	658,820	288,021	248,619		
Total other financing sources (uses)	<u>18,812,598</u>	<u>360,571</u>	<u>262,927</u>	<u>1,217,325</u>	<u>18,900</u>
Net change in fund balances	<u>\$14,753,525</u>	<u>(4,162,972)</u>	<u>(7,588,250)</u>	<u>(5,399,203)</u>	<u>(1,065,024)</u>
Debt Service as a percentage of noncapital expenditures	12.5%	14.9%	14.4%	13.0%	12.5%

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

Unaudited -see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Tax Revenue by Source, Governmental Funds**  
**Last Five Fiscal Years**  
**Schedule 6**

<i>Fiscal Year</i>	<i>Property</i>	<i>Sales and Use</i>	<i>Franchise</i>	<i>Other</i>	<i>Total</i>
2005	\$ 8,642,384	11,520,058	1,969,038	980,620	23,112,100
2006	9,891,537	12,349,822	2,165,122	836,598	25,243,079
2007	10,606,159	12,861,211	2,160,079	918,243	26,545,692
2008	11,350,892	13,045,922	2,230,070	1,314,487	27,941,371
2009	13,261,502	13,392,204	2,196,103	1,187,647	30,037,456
Percentage change	16.83%	2.65%	-1.52%	-9.65%	7.50%

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Assessed and Estimated Actual Value of Taxable Property**  
**(per \$100 of assessed value)**  
**Last Ten Fiscal Years**  
**Schedule 7**

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Personal Property Assessed Value</i>	<i>Real Property Assessed Value</i>	<i>Total Property Assessed Value</i>	<i>Tax Rate (1)</i>	<i>Total Tax Levy</i>	<i>Tax Distribution</i>	
							<i>General Fund</i>	<i>Debt Service</i>
2000	1999	\$ 294,193,115	986,100,068	1,280,293,183	0.4565	\$ 5,802,976	3,769,033	2,033,943
2001	2000	469,889,408	927,416,582	1,397,305,990	0.4565	6,366,348	4,158,499	2,207,849
2002	2001	314,657,413	1,222,579,224	1,537,236,637	0.4465	6,863,763	4,814,243	2,049,520
2003	2002	313,859,583	1,275,361,917	1,589,221,500	0.4465	7,095,874	5,015,583	2,080,291
2004	2003	299,910,899	1,393,619,102	1,693,530,001	0.4715	7,864,994	5,291,147	2,573,847
2005	2004	340,491,257	1,483,075,445	1,823,566,702	0.4715	8,598,119	6,260,291	2,337,828
2006	2005	349,333,095	1,524,200,808	1,873,533,903	0.5265	9,864,056	6,038,775	3,825,281
2007	2006	343,388,570	1,666,170,594	2,009,559,164	0.5265	10,580,329	6,608,474	3,971,855
2008	2007	363,820,820	1,789,358,078	2,153,178,898	0.5265	11,339,330	7,593,949	3,745,381
2009	2008	378,012,082	1,911,219,783	2,289,231,865	0.5831	12,971,666	9,071,086	3,900,580

Note:

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

Source: Bowie Central Appraisal District

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Property Tax Rates

(per \$100 of assessed value)

Last Ten Fiscal Years

Schedule 8

<i>Fiscal Year</i>	<i>City Direct Rates</i>		
	<i>General</i>	<i>General Obligation Debt Service</i>	<i>Total City Direct Rate</i>
2000	0.2965	0.1600	0.4565
2001	0.2982	0.1583	0.4565
2002	0.3132	0.1333	0.4465
2003	0.3156	0.1309	0.4465
2004	0.3172	0.1543	0.4715
2005	0.3433	0.1282	0.4715
2006	0.3223	0.2042	0.5265
2007	0.3289	0.1976	0.5265
2008	0.3526	0.1739	0.5265
2009	0.4078	0.1753	0.5831

*Source: Bowie Central Appraisal District*

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

*Unaudited -see accompanying auditors' report*

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*Overlapping Rates*

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<i>Texarkana Independent School District</i>	<i>Bowie County</i>	<i>Texarkana Independent College</i>	<i>Liberty-Eylau Independent School District</i>	<i>Pleasant Grove Independent School District</i>
1.4852	0.2726	0.0834	1.3500	1.4580
1.502	0.2726	0.0840	1.3800	1.4880
1.5022	0.2869	0.0806	1.4100	1.5080
1.5362	0.3175	0.0831	1.4870	1.5325
1.5362	0.3141	0.0820	1.5300	1.5725
1.5362	0.3141	0.0820	1.5300	1.5725
1.6200	0.3090	0.0827	1.5453	1.6595
1.5116	0.3191	0.0826	1.4390	1.5289
1.339	0.327	0.089591	1.299535	1.44
1.339	0.327	0.09679	1.299193	1.44

# CITY OF TEXARKANA, TEXAS

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

<i>Taxpayer</i>	<i>2009</i>		
	<i>Rank</i>	<i>2008 Assessed Valuation (1) (2)</i>	<i>Percentage of Total Assessed Valuation</i>
Christus Health ArkLaTex	1	\$ 115,329,475	5.04%
GG&A Central Mall Partners	2	32,621,506	1.42%
Arden Texarkana LLC ETAL	3	20,324,767	0.89%
WalMart Stores #01-2123	4	19,181,519	0.84%
Candle Corporation of America	5	14,048,180	0.61%
ARKLATEX Real Estate LP	6	14,002,040	0.61%
Richmond Road Apartments LP	7	13,970,600	0.61%
Condeb LP	8	11,493,576	0.50%
Orr, William Gregg	9	11,186,433	0.49%
Apple Eight Hospitality Texas LL001	10	10,648,282	0.47%
General Telephone Co.			
WalMart Store Properties			
Alberton's Inc.			
Sisters of Charity			
Lowe's Properties			
Lowe's Home Center			
Jasper S. Howard			
Total principal taxpayers		<u>\$ 262,806,378</u>	<u>11.48%</u>

Notes:

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

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<i>2000</i>		
<u><i>Rank</i></u>	<u><i>1999 Assessed Valuation (1) (2)</i></u>	<u><i>Percentage of Total Assessed Valuation</i></u>
2	\$ 23,218,486	1.81%
6	10,043,195	0.78%
5	13,230,544	1.03%
4	14,482,090	1.13%
1	27,822,870	2.17%
3	16,389,548	1.28%
7	8,842,382	0.69%
9	7,105,076	0.55%
8	7,236,394	0.57%
10	6,628,390	0.52%
	<u>\$ 134,998,975</u>	<u>10.53%</u>



# CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Total Tax Levy</i>	<i>Current Taxes Collected</i>	<i>Percent of Current Taxes Collected</i>	<i>Delinquent Taxes Collected</i>
2000	1999	5,802,976	5,642,746	97.24%	124,606
2001	2000	6,366,348	6,188,734	97.21%	139,802
2002	2001	6,863,763	6,711,130	97.78%	149,199
2003	2002	7,095,874	6,918,461	97.50%	176,544
2004	2003	7,864,994	7,629,459	97.01%	141,400
2005	2004	8,598,119	8,336,441	96.96%	186,585
2006	2005	9,864,056	9,571,045	97.03%	204,706
2007	2006	10,580,329	10,253,335	96.90%	218,986
2008	2007	11,339,330	10,918,808	96.29%	269,440
2009	2008	12,971,666	12,634,807	96.10%	368,509

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

*Source - Bowie Central Appraisal District.*

*Unaudited -see accompanying auditors' report*

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<i><b>Total Tax Collections</b></i>	<i><b>Percent Total Tax Collections to Tax Levy</b></i>	<i><b>Tax Roll Adjustments</b></i>	<i><b>Outstanding Delinquent Taxes</b></i>	<i><b>Percent Delinquent Taxes to Tax Levy</b></i>
5,767,352	99.39%	(41,562)	689,245	11.88%
6,328,536	99.41%	(81,701)	645,356	10.14%
6,860,329	99.95%	(4,209)	652,999	9.51%
7,095,005	99.99%	72,043	581,825	8.20%
7,770,859	98.80%	40,247	635,713	8.08%
8,523,026	99.13%	26,033	676,478	7.87%
9,775,751	99.10%	3,126	717,693	7.28%
10,472,321	98.97%	852	816,913	7.73%
11,188,248	100.22%	78,861	932,626	8.22%
13,003,316	100.43	31,656	515,501	4.08%

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# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Sales Tax Rates

(per \$100 of assessed value)

Last Ten Fiscal Years

Schedule 11

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Bowie County</u>
2000	1.50%	0.50%
2001	1.50%	0.50%
2002	1.50%	0.50%
2003	1.50%	0.50%
2004	1.50%	0.50%
2005	1.50%	0.50%
2006	1.50%	0.50%
2007	1.50%	0.50%
2008	1.50%	0.50%
2009	1.50%	0.50%

Source: Texas Comptroller Website

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Water Sold by Type of Customer - Texarkana, Texas Water Utilities

(in thousands of gallons)

Last Ten Fiscal Years

Schedule 12

Type of Customer	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential	1,032,000	1,087,131	1,010,504	1,091,067	936,885
Commercial	886,000	753,087	753,489	784,149	716,485
Member Cities	945,013	950,968	942,643	922,641	919,958
Wholesale	<u>640,630</u>	<u>631,617</u>	<u>631,607</u>	<u>622,003</u>	<u>633,148</u>
Total	<u><u>3,503,643</u></u>	<u><u>3,422,803</u></u>	<u><u>3,338,243</u></u>	<u><u>3,419,860</u></u>	<u><u>3,206,476</u></u>
Total Direct Rate					
per 1,000 Gallons					
Residential	2.27	2.27	2.27	2.27	2.27
Commercial	1.71	1.71	1.71	1.71	1.71
Member Cities	0.49	0.44	0.47	0.55	0.56

Unaudited -see accompanying auditors' report

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<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1,029,450	1,020,361	944,028	937,401	914,376
799,087	722,743	664,667	652,537	585,553
1,005,885	1,012,144	905,547	936,941	916,698
<u>726,797</u>	<u>752,482</u>	<u>723,824</u>	<u>683,562</u>	<u>676,645</u>
<u><u>3,561,219</u></u>	<u><u>3,507,730</u></u>	<u><u>3,238,066</u></u>	<u><u>3,210,441</u></u>	<u><u>3,093,272</u></u>

2.35	2.43	2.48	2.59	3.01
1.77	1.83	1.87	1.95	2.26
0.58	0.64	0.67	0.64	0.77

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Water and Sewer Rates - Texarkana, Texas Water Utilities

#### Last Ten Fiscal Years

#### Schedule 13

<i>Fiscal Year</i>	<i>Water</i>		<i>Sewer</i>	
	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>
Residential				
2000	\$ 6.15	2.27	6.10	1.70
2001	6.15	2.27	6.10	2.20
2002	6.15	2.27	8.30	2.98
2003	6.15	2.27	8.30	2.98
2004	6.15	2.27	8.30	2.98
2005	6.37	2.35	8.59	3.08
2006	6.59	2.43	8.89	3.19
2007	6.72	2.48	9.07	3.25
2008	7.01	2.59	9.46	3.39
2009	8.15	3.01	10.52	3.77
Commercial				
2000	7.00	1.71	6.10	2.64
2001	7.00	1.71	6.10	2.64
2002	7.00	1.71	8.30	3.48
2003	7.00	1.71	8.30	3.48
2004	7.00	1.71	8.30	3.48
2005	7.25	1.77	8.59	3.60
2006	7.50	1.83	8.89	3.73
2007	7.65	1.87	9.07	3.80
2008	7.98	1.95	9.46	3.96
2009	9.28	2.26	10.52	4.41

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

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

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

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

#### Current Year and Nine Years Ago

#### Schedule 14

<i>Payer</i>	<i>2009</i>			<i>2000</i>		
	<i>Rank</i>	<i>Water &amp; Sewer Revenue</i>	<i>Percentage of Total Water &amp; Sewer Revenue</i>	<i>Rank</i>	<i>Water &amp; Sewer Revenue</i>	<i>Percentage of Total Water &amp; Sewer Revenue</i>
Federal Correctional Institute	1	\$ 814,992	7.03%	1	\$ 581,625	7.32%
Christus St Michael Hospital	2	246,423	2.13%	3	89,438	1.13%
Texarkana Housing Authority	3	251,891	2.17%	7	54,879	0.69%
Alcoa	4	166,793	1.44%	4	84,756	1.07%
Wadley Hospital	5	151,263	1.31%	2	103,174	1.30%
Texarkana Texas ISD	6	155,947	1.35%			
Brighton Manor Apartments	7	209,256	1.81%			
Civigenics Texas, Inc.	8	150,803	1.30%			
River Crossing Apartments	9	111,850	0.97%			
Texarkana College	10	71,443	0.62%			
I. P. Sawmill				5	70,667	0.89%
Bowie County Jail				6	67,425	0.85%
Summerhill Woods Apt				8	42,774	0.54%
Bi State Justice Building				9	44,629	0.56%
Town North Apartments				10	36,491	0.46%
Totals		<u>\$ 2,330,661</u>	20.13%		<u>1,175,858</u>	14.81%

Unaudited -see accompanying auditors' report



# CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Governmental Activities</i>				
	<i>General Obligation Bonds</i>	<i>Certificates of Obligation</i>	<i>Tax Notes</i>	<i>Installment loans</i>	<i>Capital Leases</i>
2000	\$ 6,095,000	9,720,000		116,085	
2001	5,280,000	12,400,000		93,316	
2002	4,415,000	14,495,000		69,184	
2003	21,859,718	8,405,000		114,586	
2004	21,335,055	7,825,000		71,978	495,409
2005	20,394,344	25,230,000		39,457	799,326
2006 (1)	22,016,817	21,865,680		22,893	628,627
2007	20,625,223	21,281,360		5,818	437,852
2008	19,301,168	20,617,040	1,200,000		208,852
2009	17,867,429	19,857,720	1,200,000		82,959

(1) The City issued \$3,060,000 in General Obligation Refunding Bonds in 2006.

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

*Unaudited -see accompanying auditors' report*

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***Business-type Activities***

<i><b>Water Revenue Bonds</b></i>	<i><b>Capital Leases</b></i>	<i><b>Total Primary Government</b></i>	<i><b>Percentage of Personal Income(2)</b></i>	<i><b>Per Capita(2)</b></i>
26,779,104	8,867,311	51,577,500	11.13%	1,483
22,111,010	8,680,269	48,564,595	10.45%	1,388
18,307,640	8,227,856	45,514,680	7.20%	1,282
16,556,187	7,538,730	54,474,221	8.50%	1,530
17,279,820	7,120,442	54,127,704	8.53%	1,520
9,328,909	6,771,951	62,563,987	9.86%	1,757
7,882,549	6,470,001	58,886,567	9.01%	1,647
6,930,380	6,129,990	55,410,623	7.21%	1,529
5,963,213	5,900,544	53,190,817	6.56%	1,463
4,961,046	5,674,537	49,643,691	6.23%	1,391

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Fiscal Years

#### Schedule 16

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>
2000	34,782	1,280,293,183	31,110,000
2001	35,000	1,397,305,990	30,940,000
2002	35,500	1,537,236,637	30,024,725
2003	35,600	1,589,221,500	40,746,876
2004	35,600	1,589,221,500	40,702,543
2005	35,600	1,823,566,702	55,497,057
2006	35,750	1,873,533,903	51,765,046
2007	36,250	2,009,559,164	48,836,963
2008	36,350	2,153,718,898	47,081,421
2009	35,682	2,289,231,865	43,886,195

Notes:

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

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

*Unaudited - see accompanying auditors' report*

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<i>Less Debt Service Funds</i>	<i>Less Debt Payable From Enterprise Funds (2)</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt per Capita</i>
1,456,141	15,295,000	14,358,859	1.12	406
1,648,323	13,260,000	16,031,677	1.15	458
1,645,575	11,114,725	17,264,425	1.12	486
1,516,217	9,845,001	29,385,658	1.85	825
1,572,527	10,956,818	28,173,198	1.77	791
1,410,722	9,428,532	44,657,803	2.45	1,254
1,588,486	7,882,549	42,294,011	2.26	1,183
1,779,458	6,930,380	40,127,125	2.00	1,107
1,748,284	5,963,213	39,369,924	1.83	1,083
1,707,982	4,961,046	37,217,167	1.63	1,043

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# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Governmental Activities Debt

September 30, 2009

#### Schedule 17

<u>Jurisdiction</u>	<u>Gross Bonded Debt (1)</u>	<u>Percentage of Debt Applicable to City of Texarkana</u>	<u>Amount Applicable to City of Texarkana</u>
Direct:			
City of Texarkana, Texas	\$38,925,149	100.00%	<u>\$38,925,149</u>
Overlapping:			
Texarkana Independent School District	46,387,000	90.00%	41,748,300
Bowie County	1,255,000	38.95%	488,823
Liberty-Eylau Independent School District	3,560,000 3,600,000	85.00% 100.00%	3,026,000 3,600,000
Texarkana College District			
Pleasant Grove School District	38,880,000	15.00%	<u>5,832,000</u>
Subtotal - Overlapping debt			<u>54,695,123</u>
Total direct and overlapping			<u><u>\$93,620,272</u></u>
Per capita overlapping debt			<u><u>\$ 2,624</u></u>

Source-City and County tax records

(1) Includes only bonded debt being repaid by property taxes.

Unaudited -see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Legal Debt Margin**  
**Last Four Fiscal Years**  
**Schedule 18**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed value of real property	<u>\$ 1,521,332,143</u>	<u>1,640,707,284</u>	<u>1,771,117,978</u>	<u>1,997,924,581</u>
Debt limit - 25% of assessed value of real property	<u>380,333,036</u>	<u>410,176,821</u>	<u>442,779,495</u>	<u>499,481,145</u>
Total general obligation bonded debt	22,016,817	20,625,223	-	17,867,429
Less amount available in Debt Service Fund	<u>(1,588,486)</u>	<u>-</u>	<u>-</u>	<u>(1,707,982)</u>
Total amount of debt applicable to debt limit	<u>20,428,331</u>	<u>20,625,223</u>	<u>-</u>	<u>16,159,447</u>
Legal debt margin	<u>\$ 359,904,705</u>	<u>389,551,598</u>	<u>442,779,495</u>	<u>483,321,698</u>

Notes:

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

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

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Pledged Revenue Coverage (1)**  
**Last Ten Fiscal Years**  
**Schedule 19**

<i>Fiscal Year</i>	<i>Gross Revenue(2)</i>	<i>Operating Expenses (3)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements (4)</i>	<i>Coverage</i>
2000	\$ 11,568,045	7,215,262	4,352,783	2,761,156	1.58
2001	11,471,198	7,312,466	4,158,732	2,779,055	1.50
2002	12,648,480	7,457,883	5,190,597	2,712,531	1.91
2003	12,409,060	7,545,712	4,863,348	1,862,535	2.61
2004	12,959,889	8,060,324	4,899,565	1,845,023	2.66
2005	13,949,693	8,271,195	5,678,498	2,015,991	2.82
2006	15,042,070	9,025,324	6,016,746	1,625,741	3.70
2007	14,126,104	9,512,745	4,613,359	1,271,608	3.63
2008	14,472,792	10,321,585	4,151,207	1,250,470	3.32
2009	15,412,539	11,522,666	3,889,873	1,246,946	3.12

Notes:

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

*Unaudited -see accompanying auditors' report*



# CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Population</i>	<i>Median Age</i>	<i>Per Capita Income</i>	<i>Unemployment Rate</i>	<i>Personal Income (6)</i>
2000	34,782 (2)	36.9 (4)	13,336 (1)	6.2 (3)	\$ 463,852,752
2001	35,000 (1)	37.1 (4)	13,280 (1)	5.2 (3)	464,800,000
2002	35,500 (1)	36.05 (4)	17,815 (2)	6.4 (3)	632,432,500
2003	35,600 (1)	36.3 (1)	17,993 (1)	7.0 (3)	640,550,800
2004	35,600 (1)	35.7 (2)	17,815 (2)	6.0 (3)	634,214,000
2005	35,600 (1)	35.7 (2)	17,815 (2)	5.8 (3)	634,214,000
2006	35,750 (1)	36.1 (5)	18,286 (5)	5.8 (3)	653,724,500
2007	36,250 (1)	36.4 (5)	21,220 (5)	5.3 (3)	769,225,000
2008	36,350 (1)	35.7 (5)	22,291 (2)	5.1 (5)	810,277,850
2009	35,682 (1)	37.1 (1)	22,326 (5)	7.2 (7)	796,636,332

Notes:

- (1) Estimate of City of Texarkana, Texas.
- (2) 2000 U.S. Census. (ATCOG)
- (3) Texas Workforce Commission LMI Tracer
- (4) Texarkana Chamber of Commerce: Source - Sales Marketing and Management
- (5) Sites on Texas.com
- (6) Personal income calculated by multiplying estimated population by per capita income.
- (7) Texas Labor Market Review, September 2009, City Rate

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

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

#### Current Year and Nine Years Ago

#### Schedule 21

<i>Employer</i>	<i>2009</i>			<i>2000</i>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employment (1)</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employment (2)</i>
Red River Army Depot & Tenants	7,200	1	12.63%	2,470	1	4.54%
Christus St. Michael Health Care	1,850	2	3.25%	1,200	5	2.21%
Cooper Tire & Rubber	1,700	3	2.98%	1,550	2	2.85%
Domtar	1,150	4	2.02%	1,400	3	2.57%
Wal-Mart/Sam's	1,100	5	1.93%			
International Paper	925	7	1.62%	1,250	4	2.30%
Wadley Regional Medical Ctr	850	6	1.49%	980	6	1.80%
Texarkana Texas ISD	795	8	1.39%	800	7	1.47%
Texarkana AR ISD	785	9	1.38%	800	8	1.47%
Southern Refrigerated Transport	750	10	1.32%			
City of Texarkana, Texas	615		1.08%	466	9	0.86%
Alcoa Mill Products	12		0.02%	365	10	0.67%
<b>Total</b>	<b>17,732</b>		<b>31.11%</b>	<b>11,281</b>		<b>20.74%</b>

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2008 is 57,000.

(2) MSA employment for 1999 is 54,400.

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Full-time-Equivalent City Government Employees by Function/Program,

### Last Ten Fiscal Years

### Schedule 22

	<i>Ful-time Equivalent Employees</i>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General government				
Purchasing- General Services	4	4	4	4
Finance / Accounting	7	8	9	8
Building Maintenance	3	3	3	3
City Manager	3	3	3	3
City Secretary	3	3	3	3
Research and Vital Statistics				
Human Resources	3	3	3	3
City Attorney	3.5	3.5	3.5	3.5
Municipal Court	8	8	7.5	8
Public safety				
Police Administration	2	2	4	3
Uniform Services- Patrol	66	67	65	62
Support Services	5	8	10	15
Criminal Investigation	15.5	15.5	16.5	17.5
Narcotics	5	5	4	4
Fire Administration	3	3	3	3
Fire Operations	69	70	71	72
Fire Prevention	3	3	3	3
Fire Training	2	2	2	2
Emergency Management	1	1	1	1
Public works				
Public Works Administration	3	3	3	3
Engineering	5	6	6	6
Engineering & Infrastructure Administration				
Street Maintenance	39	39	40.5	42.5
Building Inspection	6	6	7	7
Sign and Signal	6	6	6	6
Planning and Zoning	0	0	0	0
Health and welfare				
Community Development	6	6	6	6
Environmental Services				
Environmental Health Services	2	2	2	2
Demolition	4	4	4	4
Animal Control	2	2	2	2

*as of September 30*

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
4	4	4	4	4	3
8	7	7	7	6	5
2	3	3	3	3	3
3	3	3	3	1	1
3	3	3	3	1	1
				2	2
3	3	3	3	5	4
3.5	3.5	3.5	3.5	2.0	0.0
7	7	7	7	7.5	8.5
3	4	7	3	3	7
61	69	67	66	74	65
15	14	6	12	11	9
19.5	19.5	20.5	18.5	17.5	18.5
4	4	6	4	2	3
3	3	3	3	3	3
69	72	72	72	72	72
3	5	4	4	4	4
2	2	2	2	2	2
1	2	2	2	2	2
3	3	3	3	2	0
6	6	6	7	7	7
				2	2
38	38	38	38	38	38
6	6	6	7	7	7
6	6	6	6	6	6
0	2	2	2	0	2
6	4	4	4	3	3
				3	2
2	2	2	2	2	1
4	4	4	4	4	1
2	2	2	2	2	2

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Full-time-Equivalent City Government Employees by Function/Program,

### Last Ten Fiscal Years

### Schedule 22 (Continued)

	<i>Full-time-Equivalent Employees</i>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Parks and recreation				
Parks Administration	4	4	4	4
Parks Maintenance	25.5	27.5	27.5	24.5
Recreational Programs	10	12	14	5.5
Senior Citizen Programs	1.5	1.5	3	4
Community Center / Weed & Seed	0	2	2	2
Library	13.5	14.5	15	14
Teen Court	1.5	1.5	1.5	1.5
Veterans Affairs	0.5	0.5	0.5	0.5
Family Health Center				
Administration	4	4	4	4
Community	7	6	7	6
WIC	8	6	7	7
Reproductive	8	9	9	9
TB	2	2	2	2
Public Health Response	0	0	0	3
Tobacco	0	1	1	1
Central Records - Dispatch	50	50	54	52
MPO	0	2.5	2.5	2.5
Fleet	10	10	10	10
Total	<u>424.5</u>	<u>440</u>	<u>456</u>	<u>449</u>

**Source:** Various City Departments

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

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*as of September 30*

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
4	3	3	3	2	2
26.5	26.5	23	23	24	24
7.5	7.5	8	5.5	5.5	5.5
1.5	2.5	2	2.5	2.5	2.5
2	2	2	3	3	3
12.5	12.5	12.5	12.5	12.5	12.5
1.5	1.5	1.5	1.5	1	1
0.5	0.5	0.5	0.5	0.5	0.5
4	4	4	3	5	4
6	6	6	4	6	5
7	7	7	7	7	5
8	8	7	7	7	6
1	1	1	1	0	0
4	4	5	5	2	0
0	0	0	0	0	0
53	53	53	53	54	54
2.5	2.5	2.5	2.5	2.5	2.5
10	10	10	10	11	9
<u>438.5</u>	<u>453</u>	<u>444</u>	<u>439</u>	<u>443.5</u>	<u>420.5</u>

# CITY OF TEXARKANA, TEXAS

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b><u>Function/Program</u></b>				
General government				
Birth certificate requests	4,253	4,564	5,187	5,041
Public safety				
Police				
Commissioned officers	89	90	92	90
Calls for service	44,662	40,304	38,514	40,249
Total citations issued	8,242	8,907	11,822	8,837
Custody arrests	3,256	3,313	3,073	2,728
Fire				
Firefighters	76	76	78	75
Responses- Fire	300	320	296	277
Responses- EMS/Rescue	436	421	439	478
Responses- Other	814	1,167	883	875
Inspections	3,480	3,677	3,672	3,756
Public works				
Street resurfacing (miles)	(1)	(1)	(1)	(1)
Building permits issued	(1)	310	650	688
Building permits (\$)	83,189,570	37,202,903	46,086,487	63,046,707
Water				
Average daily consumption (millions of gallons)	10.198	10.236	10.269	9.958
Raw water production (millions of gallons)	11.430	10.750	11.147	11.275
Wastewater				
Average daily sewage treatment (millions of gallons)	9.110			
South Regional Plant		11.802	11.236	9.987
Wagner Creek Plant		1.865	1.616	1.433

Source: Various City Departments

Notes:

(1) No information available

*Unaudited -see accompanying auditors' report*

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<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
5,404	5,713	5,333	5,740	5,695	5,278
87	93	93	94	94	94
40,024	42,392	43,814	44,456	43,554	45,673
6,807	9,656	13,440	13,922	8,879	11,606
2,768	2,898	3,106	3,739	4,032	5,085
76	76	79	79	79	79
303	279	362	250	281	250
420	951	999	1,295	1,357	1,494
847	1,005	973	963	1,139	978
3,812	4,197	4,083	4,217	3,983	3,988
(1)	(1)	(1)	(1)	(1)	(1)
652	611	938	663	484	1,188
65,590,653	61,734,325	61,978,494	48,621,881	76,804,888	44,937,572
8.924	8.429	8.881	10.29	10.938	10.255
11.291	11.204	10.840	11.849	11.882	11.978
8.597	8.782	8.065	10.348	10.762	10.524
1.460	1.443	1.204	1.088	1.190	1.257



# CITY OF TEXARKANA, TEXAS

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

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Government				
Buildings	2	2	2	2
Public safety				
Police Stations	1	1	1	1
Number of vehicles	47	47	67	66
Fire Stations	5	5	5	5
Fire Apparatus	9	9	9	8
Other motorized vehicles	5	5	5	5
Public works				
Buildings	3	3	3	3
Streets (miles)	245	247.5	250	254
Paved alleys	5	5	5	5
Unpaved alleys	15	15	15	15
Storm sewers	28	28.5	29	29.5
Streetlights	3,000	3,100	3,150	(1)
Parks and recreation				
Parks	15	10	10	11
Park acreage developed	500	500	500	533
Park acreage partially developed	1,330	1,330	1,330	1,454
Playgrounds	18	18	18	19
Swimming pools	1	1	1	1
Tennis courts	4	4	4	6
Baseball diamonds	8	8	8	8
Softball diamonds	11	11	11	11
Recreation centers	1	1	1	1
Senior citizens centers	1	1	1	1
Cemetery acreage	19	19	19	19
Landscaped island/ historical markers	8	8	8	8
Landscaped medians	4	4	4	4
Soccer fields	6	9	9	9
Restroom facilities			8	8
Boat ramp			1	1
Perot Theatre	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1

Notes:

(1) No information available

*Unaudited -see accompanying auditors' report*

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
2	2	2	2	2	2
1	1	1	1	1	1
66	66	68	69	72	63
5	5	5	5	5	5
8	8	9	9	9	9
5	5	6	6	6	6
3	3	3	3	3	3
254	254	(1)	(1)	(1)	(1)
5	5	(1)	(1)	(1)	(1)
15	15	(1)	(1)	(1)	(1)
29.5	29.5	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)
12	12	12	15	14	14
533	533	533	500	500	500
1,454	1,454	1,454	1,330	1,330	1,330
20	20	20	19	20	20
1	1	1	0	0	0
6	6	6	6	6	6
8	8	8	8	8	8
11	11	11	10	10	10
1	1	1	2	2	2
1	1	1	1	1	1
19	19	19	19	19	19
8	8	8	8	8	8
5	5	5	4	4	4
9	9	9	8	10	10
8	13	13	14	15	17
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Capital Asset Statistics by Function/ Program**  
**Last Ten Fiscal Years**  
**Schedule 24 (Continued)**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Water</b>				
Water mains (miles)	503	430	433	433
Water connections	13,140	13,231	13,310	13,511
Fire hydrants	1,254	1,529	1,415	1,415
Plant capacity (million gallons per day)	18	18	18	18
<b>Wastewater</b>				
Sanitary sewer mains (miles)	297	277	297	297
Sewer connections	11,616	11,678	11,665	11,724
Sewer plant capacity ( millions gallons per day)	18	18	18	18
<b>Airports</b>				
Number of airports	1	1	1	1
Acres	1,200	1,200	1,200	1,200
Length of main runways	6,601	6,601	6,601	6,601

Source: Various City of Texarkana, Texas departments  
*Unaudited -see accompanying auditors' report*

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<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
438	451	448	460	462	473
12,890	12,708	12,813	12,893	13,032	12,951
1,761	1,807	1,846	1,906	1,963	2,013
18	18	18	18	18	18
303	311	315	323	329	330
11,954	12,051	12,166	12,364	12,512	12,418
18	18	18	18	20	20
1	1	1	1	1	1
1,200	1,200	1,200	1,200	1,200	1,200
6,601	6,601	6,601	6,601	6,601	6,601

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**Supplemental Report on  
Federal Awards**

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# CITY OF TEXARKANA, TEXAS

## SUMMARY OF AUDITORS' RESULTS For the Year Ended September 30, 2009

PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unqualified Opinion
Significant Deficiencies in Internal Control	Schedule of Findings Reference #09-1
Material Weaknesses in Internal Control	Schedule of Findings Reference #09-1
Noncompliance Material to Financial Statements	None
Significant Deficiencies in Internal Controls over Major Programs	None
Material Weaknesses Involving Significant Deficiencies over Major Programs	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings for Federal Awards as Defined in OMB Circular A-133	None
Major Federal Programs	14.218 U.S. Department of Housing and Urban Development - Community Development Block Grant  20.507 U.S. Department of Transportation - Urban Transit Program
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The City of Texarkana, Texas was not classified as a low-risk auditee in the context of OMB Circular A-133



# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2009

Grant Title	CFDA Number	Grant Program/ Number
<b>U.S. Department of Housing and Urban Development</b>		
Community Development Blk Grant-Entitlement Program Year 2007	14.218	B07-MC-48-1000
Program Year 2008	14.218	B08-MC-48-1000
Passed Through the Texas Dept of Housing & Comm Affairs		
HOME Investment Partnerships Program	14.239	100668
<b>TOTAL U.S. DEPT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
<b>U.S. Department of Transportation</b>		
Downtown Texarkana Streetscape Enhancement	20.205	0919-19-046-08
Selective Traffic Enforcement Prog (STEP)	20.600	587XXF6013
Urban Transit Program	20.507	TX-90-X604
Urban Transit Program	20.507	URB0202
Federal Transit Capital & Operating Assistance Formula Grant		
Passed through Texas Department of Transportation	20.505	50-8xxf0017
Passes through Arkansas Highway Transportation Department	20.505	50-8xxf0017
<b>TOTAL U.S. DEPT OF TRANSPORTATION</b>		
<b>U.S. Department of Justice</b>		
Passed Through the Texas Governor's Office Criminal Justice Division Law Enforcement Block Grant J.A.G.	16.738	2007-DJ-BX-1201
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>		
<b>U. S. Department of Homeland Security</b>		
Assistance to Firefighters Grant	97.044	EMW-200-FG-08504
2007 Homeland Security Grant	97.067	
Passed Through Office of the Governor's Emergency Management Performance Grant	97.042	09TX-EMPG-0208

<u>Grant Revenue Received Cash Basis</u>	<u>(Accrued) Deferred Grant Revenue 9/30/2008</u>	<u>Accrued (Deferred) Grant Revenue 9/30/2009</u>	<u>Grant Revenue Accrual Basis</u>	<u>Grant Expenditures</u>
397,080	(68,624)		328,456	328,456
195,879		45,705	241,584	241,584
<u>592,959</u>	<u>(68,624)</u>	<u>45,705</u>	<u>570,040</u>	<u>570,040</u>
252,148		5,434	257,582	252,148
<u>845,107</u>	<u>(68,624)</u>	<u>51,139</u>	<u>827,622</u>	<u>822,188</u>
29,931			29,931	29,931
12,512		2,480	14,992	14,992
835,846		173,708	1,009,554	1,009,554
272,792	(5,335)	207,339	474,796	493,292
<u>1,108,638</u>	<u>(5,335)</u>	<u>381,047</u>	<u>1,484,350</u>	<u>1,502,846</u>
228,190	(16,914)	39,209	250,485	250,485
45,940		2,060	48,000	48,000
<u>274,130</u>	<u>(16,914)</u>	<u>41,269</u>	<u>298,485</u>	<u>298,485</u>
<u>1,425,211</u>	<u>(22,249)</u>	<u>424,796</u>	<u>1,827,758</u>	<u>1,846,254</u>
60,573			60,573	39,247
<u>60,573</u>	<u>-</u>	<u>-</u>	<u>60,573</u>	<u>39,247</u>
109,316	(46,160)		63,156	63,156
713		26,891	27,604	26,891
<u>48,504</u>	<u></u>	<u>12,126</u>	<u>60,630</u>	<u>60,630</u>

(continued)

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2009

Grant Title	CFDA Number	Grant Program/ Number
FEMA-Disaster Relief-Ike/Gustov	97.036	FEMA-1791-DRTX 08
FEMA-Disaster Relief-Ike/Gustov	97.036	FEMA-1791-DRTX09
 <b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
 <b>U.S. Department of Health</b>		
Passed Through Texas Department of Health:		
Community Preparedness-Pandemic Influenza	93.185	07/08-022937
Community Preparedness-Bioterrorism	93.283	08/09-028167
Community Preparedness-Bioterrorism	93.283	07/08-022937
Family Planning Services - Title X	93.217	2009-029590
Social Services Block Grant (title XX)	93.667	209-029349
Preventive Health and Health Serv Blk Grant	93.991	2009-028185
Preventive Health and Health Serv Blk Grant	93.991	2008-024525
 <b>TOTAL U.S. DEPARTMENT OF HEALTH</b>		
 <b>U.S. Department of Agriculture</b>		
NSS-WIC Card Participation	10.557	2008-024670
NSS-WIC Card Participation	10.557	2009-030094
 <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		
 <b>Corporation for National Security and Community Service</b>		
Retired Senior Volunteer Program		
Greater Texarkana RSVP - Action	94.002	U-05SRWTX037
Greater Texarkana RSVP - Action	94.002	U-05SRWTX010
 <b>TOTAL CORP FOR NATIONAL SEC &amp; COMMUNITY SERV</b>		
 <b>TOTAL FEDERAL ASSISTANCE</b>		

<u>Grant Revenue Received Cash Basis</u>	<u>(Accrued) Deferred Grant Revenue 9/30/2008</u>	<u>Accrued (Deferred) Grant Revenue 9/30/2009</u>	<u>Grant Revenue Accrual Basis</u>	<u>Grant Expenditures</u>
			-	103,492
<u>63,525</u>		<u>295,469</u>	<u>358,994</u>	<u>85,174</u>
<u>63,525</u>	<u>-</u>	<u>295,469</u>	<u>358,994</u>	<u>188,666</u>
<u>222,058</u>	<u>(46,160)</u>	<u>334,486</u>	<u>510,384</u>	<u>339,343</u>
<u>1,697</u>	<u>(1,697)</u>		-	
<u>28,548</u>	<u>(28,548)</u>		-	
<u>50,792</u>	<u>(50,792)</u>		-	1,482
<u>79,340</u>	<u>(79,340)</u>	<u>-</u>	-	1,482
<u>13,061</u>		<u>1,831</u>	<u>14,892</u>	<u>13,061</u>
<u>47,216</u>			<u>47,216</u>	<u>47,216</u>
<u>144,713</u>	<u>(13,256)</u>	<u>13,911</u>	<u>145,368</u>	<u>131,457</u>
<u>5,195</u>	<u>(5,195)</u>		-	
<u>149,908</u>	<u>(18,451)</u>	<u>13,911</u>	<u>145,368</u>	<u>131,457</u>
<u>291,222</u>	<u>(99,488)</u>	<u>15,742</u>	<u>207,476</u>	<u>193,216</u>
<u>76,558</u>	<u>(76,558)</u>		-	
<u>265,222</u>		<u>49,586</u>	<u>314,808</u>	<u>314,008</u>
<u>341,780</u>	<u>(76,558)</u>	<u>49,586</u>	<u>314,808</u>	<u>314,008</u>
<u>36,569</u>	<u>(3,757)</u>	<u>2,619</u>	<u>35,431</u>	<u>52,412</u>
<u>36,569</u>	<u>(3,757)</u>	<u>2,619</u>	<u>35,431</u>	<u>52,412</u>
<u>3,222,520</u>	<u>(316,836)</u>	<u>878,368</u>	<u>3,784,052</u>	<u>3,606,668</u>

(concluded)

# CITY OF TEXARKANA, TEXAS

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS September 30, 2009

### NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards is a summary of the activity of all federal award programs of the City of Texarkana, Texas for the year ended September 30, 2009. The grant programs are administered by the various departments of the City. The activities of these departments are monitored by City staff to ensure compliance with the requirements of the underlying grants.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### NOTE 3 - RELATIONSHIP TO GRANT FINANCIAL REPORTS

The amounts reported in the accompanying schedule may not agree with the amounts reported in the related grant financial reports filed with grantor agencies due to the fact that the accompanying schedule represents the activity for the twelve months ended September 30, 2009, while some grant reports are prepared monthly, quarterly, or annually on a grant fiscal year end that is different.

### NOTE 4 - STATUS OF PRIOR YEAR FINDINGS

The current status of findings related to federal grant awards that were reported with the September 30, 2008 audit of the City of Texarkana, Texas financial statements is provided in the Summary Schedule of Prior Audit Findings.



# HOLLIDAY, LEMONS, & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and  
Members of the City Council  
Texarkana, Texas

We have audited 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, Texas as of and for the year ended September 30, 2009, which collectively comprise the City of Texarkana, Texas' basic financial statements and have issued our report thereon dated October 4, 2010. 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.

### Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Texarkana, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Texarkana, Texas' financial statements that is more than inconsequential will not be prevented or detected by the City of Texarkana, Texas' internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: Reference # 09-1.

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ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Texarkana, Texas' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following to be a material weakness: Reference #09-1.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City of Texarkana, Texas, in a separate letter dated October 4, 2010.

City of Texarkana, Texas' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit City of Texarkana, Texas' responses and, accordingly, we express no opinion on them.

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



October 4, 2010



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# HOLLIDAY, LEMONS, & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and  
Members of the City Council  
Texarkana, Texas

### Compliance

We have audited the compliance of the City of Texarkana, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City of Texarkana, Texas' major federal programs are identified in the summary of auditor's results included in this section. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Texarkana, Texas' management. Our responsibility is to express an opinion on the City of Texarkana, Texas' compliance based on our audit.

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

In our opinion, City of Texarkana, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended September 30, 2009.

### Internal Control Over Compliance

The management of City of Texarkana, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Texarkana, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance,

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ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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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 City of Texarkana, Texas' internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

*Holliday, Lemons & Cox, P.C*

October 4, 2010

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# CITY OF TEXARKANA, TEXAS

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2009

***Reference 08-1 Financial Policies, Procedures and Application of Accounting Principles***

Current status: This is an uncorrected finding and is included in the current schedule of findings as part of Reference 09-1.

***Reference 08-2 Purchasing (Including Credit Card Purchases)***

Current status: This finding has been corrected by the City.

***Reference 08-3 Past Due Collections***

Current status: This finding has been corrected by the City.

***Reference 08-4 Monitoring of Capital Assets***

Current status: This finding has been corrected by the City.

***Reference 08-5 New Hire Procedures***

Current status: This finding has been corrected by the City.

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# CITY OF TEXARKANA, TEXAS

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## SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2009

### *Financial Policies, Procedures, and Application of Accounting Principles* *Reference 09-1*

#### **Condition**

The following situations occurred during the year and appear attributable to the lack of use of proper financial policies and procedures and the lack of proper application of accounting principles:

- (1) The reserved fund balance for several funds were either not established or adjusted to the proper balance at year end prior to adjustments proposed by the auditors. Adjustments included \$321,830 for General fund, Hotel/Motel Tax Convention Center for \$355,879, 2003 Bond fund for \$1,154,672, and 2005 Bond fund for \$1,089,149.
- (2) Fund balance accounts for several funds were not balanced to the prior year audit prior to adjustments proposed by the auditors. Adjustments included CDBG for \$75,701, HOME Program for \$45,538, and Employee Benefit Internal Service fund for \$21,212.
- (3) A note payable to the General fund in the amount of \$209,738 and the corresponding purchase of land in the TUTD fund had not been recorded.
- (4) The hotel/motel taxes revenue for the convention center was not properly recorded as reserved revenue. The taxes were improperly recorded in the unreserved revenue account. Revenue required an adjustment of \$95,372.
- (5) Accounts payable were not properly recorded at September 30, 2009. Contract payables in 2003 Bond fund and 2005 Bond fund in the amounts of \$38,758 and \$30,236, respectively, were improperly recorded as accounts payable. October 2009 insurance premium of \$23,514 in the Employee Benefit fund was included in September 2009 payables.
- (6) Accretion of capital appreciation bonds in the approximate amount of \$304,000 was not recorded in the long-term liability account of the 2003 General Obligation bonds prior to adjustments proposed.

#### **Criteria**

Management and the Council are responsible for establishing and maintaining effective internal controls over financial policies.



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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT*** **For the Year Ended September 30, 2009**

### ***Financial Policies, Procedures, and Application of Accounting Principles*** ***Reference 09-1 (continued)***

#### ***Cause***

Internal controls were not in place or were not followed to ensure all formal financial policies are established to provide adequate and complete guidance for financial staff. Some ending balances may not have been assessed for completeness and accuracy by the City's Finance department.

#### ***Effect***

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

In addition, without the proper application of generally accepted accounting principles (GAAP), the City's Finance department could not produce fairly stated financial statements.

#### ***Recommendation***

Management should develop and follow formalized financial policies and procedures which provide for accurate and complete financial reporting. In addition, Finance staff should properly apply GAAP in order to produce fairly stated financial statements.

#### ***Views of Responsible Officials and Planned Corrective Actions***

Staff will schedule an exit conference with the auditors to discuss each of these findings and determine the proper procedures and policies necessary to correct each finding. Interviews are currently in progress to fill a vacant position in the department whose duties will include internal control and policy/procedure implementation and administration.

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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2009**

None

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