

CITY OF FARMERSVILLE
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2015

CITY OF FARMERSVILLE

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Farmersville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 48-54, the proportionate share of net pension liability on page 55, and the schedule of contributions on page 56 be presented to supplement the basic financial statements. Such information, although 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 the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

The combining 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Price Page & Company

Clovis, California
December 28, 2015

BASIC FINANCIAL STATEMENTS

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CITY OF FARMERSVILLE**STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 6,383,187	\$ 3,370,479	\$ 9,753,666
Receivables (net of allowance for uncollectibles):			
Consumer	-	269,776	269,776
Intergovernmental	1,044,982	506,848	1,551,830
Other	13,973	-	13,973
Loans receivable	2,548,344	-	2,548,344
Prepaid expenses	14,803	13,932	28,735
Capital assets (net)	<u>9,566,023</u>	<u>6,785,288</u>	<u>16,351,311</u>
Total assets	<u>19,571,312</u>	<u>10,946,323</u>	<u>30,517,635</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>265,295</u>	<u>73,892</u>	<u>339,187</u>
Total deferred outflows of resources	<u>265,295</u>	<u>73,892</u>	<u>339,187</u>
LIABILITIES			
Accounts payable	113,044	68,016	181,060
Deposits	400	-	400
Unearned revenue	474,596	-	474,596
Long-term liabilities -			
Portion due or payable within one year:			
Compensated absences	123,894	15,346	139,240
Loans payable	-	1,125,000	1,125,000
Portion due or payable after one year:			
Compensated absences	495,576	61,385	556,961
Net pension liability	<u>716,388</u>	<u>373,492</u>	<u>1,089,880</u>
Total liabilities	<u>1,923,898</u>	<u>1,643,239</u>	<u>3,567,137</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>232,806</u>	<u>68,990</u>	<u>301,796</u>
Total deferred inflows of resources	<u>232,806</u>	<u>68,990</u>	<u>301,796</u>
NET POSITION			
Net investment in capital assets	9,566,023	5,660,288	15,226,311
Restricted for:			
Public safety	253,100	-	253,100
Street construction and maintenance	3,380,572	-	3,380,572
Community development	317,758	-	317,758
Capital maintenance	384,488	-	384,488
Unrestricted	<u>3,777,962</u>	<u>3,647,698</u>	<u>7,425,660</u>
Total net position	<u>\$ 17,679,903</u>	<u>\$ 9,307,986</u>	<u>\$ 26,987,889</u>

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

CITY OF FARMERSVILLE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
City council	\$ 11,014	\$ -	\$ -	\$ -
Administration	240,163	51,492	-	-
Library	1,888	-	-	-
Public safety:				
Law enforcement	1,854,840	129,927	319,444	7,314
Fire services	561,721	56,830	320,753	11,796
Animal control	84,788	2,117	-	-
Building, grounds and parks	144,717	-	70,476	-
Recreation	27,848	-	-	-
Street construction and maintenance	585,942	-	424,980	1,421,719
Childcare center operations	21,794	-	-	-
Community development	609,610	21,373	418,897	-
Total governmental activities	<u>4,144,325</u>	<u>261,739</u>	<u>1,554,550</u>	<u>1,440,829</u>
Business-Type Activities:				
Water	681,365	581,439	-	1,028,076
Sewer	667,529	1,296,755	-	18,002
Refuse	641,073	723,133	-	-
Total business-type activities	<u>1,989,967</u>	<u>2,601,327</u>	<u>-</u>	<u>1,046,078</u>
Total City of Farmersville	<u>\$ 6,134,292</u>	<u>\$ 2,863,066</u>	<u>\$ 1,554,550</u>	<u>\$ 2,486,907</u>

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes

Loan repayment

Rental income

Earnings on investments

Miscellaneous

Total general revenues

Changes in net position

Net position - beginning (as restated)

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (11,014)	\$ -	\$ (11,014)
(188,671)	-	(188,671)
(1,888)	-	(1,888)
(1,398,155)	-	(1,398,155)
(172,342)	-	(172,342)
(82,671)	-	(82,671)
(74,241)	-	(74,241)
(27,848)	-	(27,848)
1,260,757	-	1,260,757
(21,794)	-	(21,794)
<u>(169,340)</u>	<u>-</u>	<u>(169,340)</u>
<u>(887,207)</u>	<u>-</u>	<u>(887,207)</u>
-	928,150	928,150
-	647,228	647,228
<u>-</u>	<u>82,060</u>	<u>82,060</u>
<u>-</u>	<u>1,657,438</u>	<u>1,657,438</u>
<u>(887,207)</u>	<u>1,657,438</u>	<u>770,231</u>
1,285,622	-	1,285,622
899,431	-	899,431
131,994	-	131,994
5,251	-	5,251
130,803	-	130,803
150,420	-	150,420
35,896	14,880	50,776
<u>220,489</u>	<u>-</u>	<u>220,489</u>
<u>2,859,906</u>	<u>14,880</u>	<u>2,874,786</u>
1,972,699	1,672,318	3,645,017
<u>15,707,204</u>	<u>7,635,668</u>	<u>23,342,872</u>
<u>\$ 17,679,903</u>	<u>\$ 9,307,986</u>	<u>\$ 26,987,889</u>

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

CITY OF FARMERSVILLE

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Federal and State Grants Special Revenue Fund</u>	<u>Street Tax Special Revenue Fund</u>	<u>Child Care Special Revenue Fund</u>
ASSETS				
Cash and cash equivalents	\$ 1,752,283	\$ 302,740	\$ 3,362,853	\$ -
Receivables (net of allowance for uncollectibles):				
Intergovernmental	638,152	5,207	320,375	-
Other	13,973	-	-	-
Due from other funds	56,080	-	-	-
Prepaid expenses	14,803	-	-	-
Loans receivable	-	-	-	-
Advances to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,475,291</u>	<u>\$ 307,947</u>	<u>\$ 3,683,228</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 65,277	\$ 6,750	\$ 29,099	\$ -
Deposits	400	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	398	228,184	246,013	-
Advances from other funds	91,950	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>158,025</u>	<u>234,934</u>	<u>275,112</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>17,100</u>	<u>5,207</u>	<u>27,544</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>17,100</u>	<u>5,207</u>	<u>27,544</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Change funds	975	-	-	-
Prepaid expenses	14,803	-	-	-
Long-term receivables	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Street construction and maintenance	-	-	3,380,572	-
Community development	-	-	-	-
Capital maintenance	-	-	-	-
Unassigned	2,284,388	67,806	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>2,300,166</u>	<u>67,806</u>	<u>3,380,572</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 2,475,291</u>	<u>\$ 307,947</u>	<u>\$ 3,683,228</u>	<u>\$ -</u>

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

CDBG Program Income Special Revenue Fund	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 263,056	\$ 28,762	\$ 673,493	\$ 6,383,187
-	-	81,248	1,044,982
-	-	-	13,973
-	-	-	56,080
-	-	-	14,803
1,900,240	648,104	-	2,548,344
-	-	91,950	91,950
<u>\$ 2,163,296</u>	<u>\$ 676,866</u>	<u>\$ 846,691</u>	<u>\$ 10,153,319</u>
\$ -	\$ -	\$ 11,918	\$ 113,044
-	-	-	400
-	-	56,080	56,080
-	-	-	474,595
-	-	-	91,950
-	-	67,998	736,069
1,900,240	648,104	70,476	2,668,671
1,900,240	648,104	70,476	2,668,671
-	-	-	975
-	-	-	14,803
-	-	91,950	91,950
-	-	253,100	253,100
-	-	-	3,380,572
263,056	28,762	25,940	317,758
-	-	384,488	384,488
-	-	(47,261)	2,304,933
263,056	28,762	708,217	6,748,579
<u>\$ 2,163,296</u>	<u>\$ 676,866</u>	<u>\$ 846,691</u>	<u>\$ 10,153,319</u>

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

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CITY OF FARMERSVILLE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total fund balances - governmental funds	\$ 6,748,579
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$13,644,357 and the accumulated depreciation is \$4,078,334.	9,566,023
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	2,668,671
Pension related deferrals are reported as deferred outflows and inflows of resources.	32,488
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated absences	(619,470)
Net pension liability	<u>(716,388)</u>
Total long-term liabilities	<u>(1,335,858)</u>
Net position of governmental activities	<u>\$ 17,679,903</u>

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Federal and State Grants Special Revenue Fund</u>	<u>Street Tax Special Revenue Fund</u>	<u>Child Care Special Revenue Fund</u>
REVENUES				
Property taxes	\$ 1,214,947	\$ -	\$ -	\$ -
Sales taxes	899,431	-	-	-
Other taxes	148,153	-	-	-
Licenses and permits	57,508	-	-	-
Developer fees	-	-	-	-
Charges for services	167,805	-	-	-
Intergovernmental	658,753	608,250	2,017,308	-
Fines and penalties	36,426	-	-	-
Investment income	18,974	-	12,745	-
Loan repayments	-	-	-	-
Rent	150,420	-	-	-
Miscellaneous revenues	<u>164,950</u>	<u>451</u>	<u>-</u>	<u>125,765</u>
 Total revenues	 <u>3,517,367</u>	 <u>608,701</u>	 <u>2,030,053</u>	 <u>125,765</u>
EXPENDITURES				
Current:				
City council	11,014	-	-	-
Administration	194,793	-	-	-
Library	1,888	-	-	-
Public safety:				
Law enforcement	1,635,500	-	-	-
Fire services	470,039	-	-	-
Animal control	85,728	-	-	-
Buildings, grounds and parks	135,855	-	-	-
Recreation	3,000	-	-	-
Street construction and maintenance	7,545	-	436,727	-
Community development	157,548	442,068	-	-
Capital outlay	<u>80,682</u>	<u>-</u>	<u>332,947</u>	<u>-</u>
 Total expenditures	 <u>2,783,592</u>	 <u>442,068</u>	 <u>769,674</u>	 <u>-</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>733,775</u>	 <u>166,633</u>	 <u>1,260,379</u>	 <u>125,765</u>
 Other financing sources (uses):				
Transfers in	25,931	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,931)</u>
 Total other financing sources (uses)	 <u>25,931</u>	 <u>-</u>	 <u>-</u>	 <u>(25,931)</u>
 Net change in fund balances	 759,706	 166,633	 1,260,379	 99,834
 Fund balances - beginning	 <u>1,540,460</u>	 <u>(98,827)</u>	 <u>2,120,193</u>	 <u>(99,834)</u>
 Fund balances (deficits) - ending	 <u>\$ 2,300,166</u>	 <u>\$ 67,806</u>	 <u>\$ 3,380,572</u>	 <u>\$ -</u>

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

CDBG Program Income Special Revenue Fund	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 59,767	\$ 1,274,714
-	-	-	899,431
-	-	-	148,153
-	-	-	57,508
-	-	24,570	24,570
-	-	-	167,805
10,097	-	115,457	3,409,865
-	-	-	36,426
716	-	3,008	35,443
164,778	22,389	-	187,167
-	-	-	150,420
-	-	26,724	317,890
<u>175,591</u>	<u>22,389</u>	<u>229,526</u>	<u>6,709,392</u>
-	-	-	11,014
-	-	-	194,793
-	-	-	1,888
-	-	104,257	1,739,757
-	-	-	470,039
-	-	-	85,728
-	-	72,444	208,299
-	-	-	3,000
-	-	61,020	505,292
-	-	-	599,616
-	-	162,388	576,017
-	-	400,109	4,395,443
<u>175,591</u>	<u>22,389</u>	<u>(170,583)</u>	<u>2,313,949</u>
-	-	-	25,931
-	-	-	(25,931)
-	-	-	-
175,591	22,389	(170,583)	2,313,949
87,465	6,373	878,800	4,434,630
<u>\$ 263,056</u>	<u>\$ 28,762</u>	<u>\$ 708,217</u>	<u>\$ 6,748,579</u>

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

CITY OF FARMERSVILLE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds \$ 2,313,949

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, the amounts below represent the capital outlay portion that was capitalized for the government-wide financial statements:

Capital outlay	651,554
Depreciation expense	(339,010)

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

Decrease in compensated absences	<u>(71,266)</u>	
Total additional expenditures		(71,266)

Repayments of long-term loan receivables. (56,364)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. 9,840

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (536,004)

Change in net position of governmental activities \$ 1,972,699

CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,083,655	\$ 2,243,362	\$ 43,462	\$ 3,370,479
Receivables (net of allowance for uncollectibles):				
Consumer	54,152	149,328	66,296	269,776
Intergovernmental	501,848	-	5,000	506,848
Prepaid expenses	<u>6,966</u>	<u>6,966</u>	<u>-</u>	<u>13,932</u>
Total current assets	<u>1,646,621</u>	<u>2,399,656</u>	<u>114,758</u>	<u>4,161,035</u>
Noncurrent assets:				
Restricted assets:				
Capital assets (net)	<u>2,366,012</u>	<u>4,419,276</u>	<u>-</u>	<u>6,785,288</u>
Total noncurrent assets	<u>2,366,012</u>	<u>4,419,276</u>	<u>-</u>	<u>6,785,288</u>
Total assets	<u>4,012,633</u>	<u>6,818,932</u>	<u>114,758</u>	<u>10,946,323</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>29,029</u>	<u>36,946</u>	<u>7,917</u>	<u>73,892</u>
Total deferred outflows of resources	<u>29,029</u>	<u>36,946</u>	<u>7,917</u>	<u>73,892</u>
LIABILITIES				
Current liabilities:				
Accounts payable	13,018	22,653	32,345	68,016
Compensated absences	5,302	8,643	1,401	15,346
Loans payable	<u>-</u>	<u>1,125,000</u>	<u>-</u>	<u>1,125,000</u>
Total current liabilities	<u>18,320</u>	<u>1,156,296</u>	<u>33,746</u>	<u>1,208,362</u>
Noncurrent liabilities:				
Compensated absences	21,207	34,574	5,604	61,385
Net pension liability	<u>146,729</u>	<u>186,746</u>	<u>40,017</u>	<u>373,492</u>
Total noncurrent liabilities	<u>167,936</u>	<u>221,320</u>	<u>45,621</u>	<u>434,877</u>
Total liabilities	<u>186,256</u>	<u>1,377,616</u>	<u>79,367</u>	<u>1,643,239</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>27,103</u>	<u>34,495</u>	<u>7,392</u>	<u>68,990</u>
Total deferred inflows of resources	<u>27,103</u>	<u>34,495</u>	<u>7,392</u>	<u>68,990</u>
NET POSITION				
Net investment in capital assets	2,366,012	3,294,276	-	5,660,288
Unrestricted	<u>1,462,291</u>	<u>2,149,491</u>	<u>35,916</u>	<u>3,647,698</u>
Total net position	<u>\$ 3,828,303</u>	<u>\$ 5,443,767</u>	<u>\$ 35,916</u>	<u>\$ 9,307,986</u>

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

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 563,799	\$ 1,275,190	\$ 723,131	\$ 2,562,120
Operating Expenses:				
Personnel costs	218,481	285,409	54,565	558,455
Utilities	91,917	77,096	-	169,013
Contractual services	101,612	38,271	505,239	645,122
Franchise payments	10,750	12,500	34,000	57,250
Operations and maintenance	152,051	155,488	47,269	354,808
Depreciation	106,554	88,339	-	194,893
Total operating expenses	<u>681,365</u>	<u>657,103</u>	<u>641,073</u>	<u>1,979,541</u>
Operating income (loss)	<u>(117,566)</u>	<u>618,087</u>	<u>82,058</u>	<u>582,579</u>
Nonoperating Revenue (Expenses):				
Connection fees	17,640	21,566	-	39,206
Developer fees	-	18,004	-	18,004
Grant revenue	944,594	-	-	944,594
Investment income	6,388	8,019	473	14,880
Interest expense	-	(10,426)	-	(10,426)
Total nonoperating revenues (expenses)	<u>968,622</u>	<u>37,163</u>	<u>473</u>	<u>1,006,258</u>
Income (loss) before capital contributions and transfers	851,056	655,250	82,531	1,588,837
Capital contributions	<u>83,481</u>	-	-	<u>83,481</u>
Change in net position	934,537	655,250	82,531	1,672,318
Net position - beginning (as restated)	<u>2,893,766</u>	<u>4,788,517</u>	<u>(46,615)</u>	<u>7,635,668</u>
Net position - ending	<u>\$ 3,828,303</u>	<u>\$ 5,443,767</u>	<u>\$ 35,916</u>	<u>\$ 9,307,986</u>

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

CITY OF FARMERSVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Cash Flows from Operating Activities				
Cash received from customers	\$ 562,784	\$ 1,246,499	\$ 721,956	\$ 2,531,239
Cash payments to employees	(362,694)	(316,092)	(61,448)	(740,234)
Cash payments to suppliers	<u>(222,078)</u>	<u>(644,234)</u>	<u>(586,233)</u>	<u>(1,452,545)</u>
Net cash provided by (used in) operating activities	<u>(21,988)</u>	<u>286,173</u>	<u>74,275</u>	<u>338,460</u>
Cash Flows from Capital and Related Financing Activities				
Cash received from connection fees	17,640	21,566	-	39,206
Cash received from developer fees	-	18,004	-	18,004
Cash received from grants	442,746	-	-	442,746
Other cash payments	-	-	(31,286)	(31,286)
Acquisition of capital assets	(848,411)	(870,697)	-	(1,719,108)
Proceeds from long-term debt	-	1,125,000	-	1,125,000
Interest paid on long-term debt	<u>-</u>	<u>(10,426)</u>	<u>-</u>	<u>(10,426)</u>
Net cash provided by (used in) capital and related financing activities	<u>(388,025)</u>	<u>283,447</u>	<u>(31,286)</u>	<u>(135,864)</u>
Cash Flows from Investing Activities				
Interest on investments	<u>6,388</u>	<u>8,019</u>	<u>473</u>	<u>14,880</u>
Net cash provided by (used in) investing activities	<u>6,388</u>	<u>8,019</u>	<u>473</u>	<u>14,880</u>
Net increase (decrease) in cash and cash equivalents	(403,625)	577,639	43,462	217,476
Cash and cash equivalents, July 1, 2014	<u>1,487,280</u>	<u>1,665,723</u>	<u>-</u>	<u>3,153,003</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 1,083,655</u>	<u>\$ 2,243,362</u>	<u>\$ 43,462</u>	<u>\$ 3,370,479</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (117,566)	\$ 618,087	\$ 82,058	\$ 582,579
<i>Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:</i>				
Depreciation	106,554	88,339	-	194,893
Pension expense	23,858	30,364	6,507	60,729
<i>Change in Assets and Liabilities:</i>				
(Increase) decrease in consumer receivables	(1,015)	(28,692)	(1,175)	(30,882)
(Increase) decrease in deferred outflows of resources for pensions	(29,029)	(36,946)	(7,917)	(73,892)
Increase (decrease) in accounts payable	(6,364)	(391,242)	(6,232)	(403,838)
Increase (decrease) in salaries and benefits payable	(4,059)	(5,166)	(995)	(10,220)
Increase (decrease) in compensated absences	<u>5,633</u>	<u>11,429</u>	<u>2,029</u>	<u>19,091</u>
Net cash provided by (used in) operating activities	<u>\$ (21,988)</u>	<u>\$ 286,173</u>	<u>\$ 74,275</u>	<u>\$ 338,460</u>
Noncash Investing, Capital and Financing Activities:				
Contributions of fixed assets from governmental funds	<u>\$ 83,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,481</u>
Borrowing under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF FARMERSVILLE

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Successor Agency Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 54,289
Cash and cash equivalents - restricted	219,000	-
Accounts receivable	-	703
Capital assets (net)	<u>3,999,601</u>	<u>-</u>
 Total assets	 <u>4,218,601</u>	 <u>54,992</u>
LIABILITIES		
Cash overdraft	234,552	-
Accounts payable	-	412
Due to other agencies	-	1,618
Customer deposits	-	52,962
Interest payable	23,783	-
Loan payable - current	110,312	-
Loan payable	<u>2,145,363</u>	<u>-</u>
 Total liabilities	 <u>2,514,010</u>	 <u>\$ 54,992</u>
NET POSITION		
Net position held in trust for redevelopment dissolution and other purposes	 <u>\$ 1,704,591</u>	

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

CITY OF FARMERSVILLE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Successor Agency Trust Fund</u>
ADDITIONS	
Property taxes	\$ 159,510
Total additions	<u>159,510</u>
DEDUCTIONS	
Debt payment - interest	93,338
Redevelopment expenses	10,482
Depreciation	<u>143,594</u>
Total deductions	<u>247,414</u>
Change in net position	(87,904)
Net position - beginning	<u>1,792,495</u>
Net position - ending	<u>\$ 1,704,591</u>

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

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

The financial statements of City of Farmersville (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the government’s accounting principles are described below.

Reporting Entity

The City of Farmersville was incorporated in 1960 and is a general law city. The City operates under a Council-Manager form of government and provides the following services to the community: public safety (police, fire and animal control), water, sanitation (solid waste disposal and sanitary wastewater), parks and recreation, community development, public works, and general administrative services.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City’s funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major governmental funds:

General Fund: This 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.

Federal and State Grants Special Revenue Fund: This fund accounts for the annual federal grant that provides for development of a viable urban community by providing suitable housing, principally for low- and moderate-income residents.

Street Tax Special Revenue Fund: The four street funds, Surface Transportation Fund, Gas Tax Fund, Transportation Tax Fund, and Traffic Congestion Fund are combined for reporting purposes. All the revenue received in these funds is for the repair and construction of roads within the cities.

Child Care Special Revenue Fund: This fund accounts for child care services provided for the community of Farmersville.

CDBG Program Income Special Revenue Fund: This fund accounts for the loans and repayments on CDBG housing loans to benefit low- and moderate-income people.

Low and Moderate Income Housing Asset Special Revenue Fund: This fund accounts for housing assets related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the Agency on February 1, 2012.

The City has three enterprise funds, the Water, Sewer and Refuse, which are used to account for operations that are financed and operated in a manner similar to a private business enterprise. In an Enterprise Fund, the intent of the City Council is that the costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major proprietary fund types:

Water Fund: Accounts for financial activity of the water utility.

Sewer Fund: Accounts for financial activity of the sewage collection and wastewater treatment utility.

Refuse Fund: Accounts for financial activity of the refuse collection and disposal utility.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following fiduciary fund types:

The *Successor Agency Trust Fund* accounts for the assets and liabilities of the former Redevelopment Agency and its allocated revenue to pay estimated installment payments of the enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

The Agency funds account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds are custodial in nature and do not involve measurement of results of operations.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Cash and Cash Equivalents

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities. Interest income on pooled investments is allocated on the end-of-month balance in each fund included in the pools.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position

Property Tax Calendar

Revenue is recognized when measurable and available. The assessment, levy and collection of property taxes are the responsibility of the County of Tulare. The City records property taxes as revenue when received from the County, except at year-end, when property taxes received within 60 days after the end of the fiscal year are "available" and, therefore, recognized as revenue.

Secured and unsecured property taxes are levied based on the assessed value as of January 1, lien date, of the preceding fiscal year. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. Collection dates are December 10 and April 10, which are also the delinquent dates. Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31, which is also the delinquent date.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Proprietary Fund receivables are shown net of an allowance for uncollectible accounts. Allowances of uncollectibles were \$1,520 for Water utility charges, \$3,987 for Sewer utility charges, and \$3,228 for Refuse utility charges as of June 30, 2015. Utility customers are billed monthly.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., street system, landscaped area, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated capital assets are valued at estimated fair market value on the date received. Gains or losses on assets at retirement or disposal are recorded in the same fiscal year the asset is retired. Renewals and betterments are capitalized when purchased. Maintenance and repairs are charged to expense when the services are rendered. Depreciation is recorded on a straight-line basis over the useful lives of the asset as follows:

Buildings and Improvements	25-35 years
Equipment and Vehicles	7-20 years
Utility System	30-75 years
Infrastructure.....	40 years

Compensated Absences

City employees accumulate vacation pay in varying amounts as services are provided. All outstanding vacation pay is payable upon termination of employment. In the governmental funds, the amount of vacation pay recognized during the year is the amount liquidated with expendable available financial resources. In the Proprietary Funds, the amount of vacation pay recognized is the amount earned during the year.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Compensated Absences (Continued)

City employees accrue sick leave in varying amounts as services are provided. Sick leave benefits do not vest with employees. However, employees who have worked for the City for more than five years are entitled to 20-30% of their accumulated sick leave at the time of termination. Unused sick leave is added to the creditable service period for calculation of retirement benefits when an employee retires. Accumulated vacation and compensated time are accrued, as appropriate, for all funds.

Pensions

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

Unearned Revenue

Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants when funding requirements have been met, but the related funding is not yet available.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified in the following categories:

- ***Net investment in capital assets*** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- ***Restricted net position*** – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted net position*** – This category represents net amounts that do not meet the criteria for "restricted" or "net investment in capital assets".

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

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

Nonspendable Fund Balance

Amounts cannot be spent either because they are in nonspendable form (such as inventory or prepaid expense, and long-term loans and notes receivable) or because they are legally or contractually required to be maintained intact (such as principal of a permanent fund).

Restricted Fund Balance

Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, contributors, or laws or regulations of other governments, etc.) or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by City Council, the City's highest level of decision-making authority, through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed must be designated as assigned fund balance.

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances in all other funds.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Encumbrances

The City does not use encumbrance accounting.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

Pronouncements

New Accounting Pronouncements Adopted

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. This statement was adopted by the City during the current fiscal year.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement were considered but had no effect on the City for the current fiscal year.

Government Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement was adopted by the City during the current fiscal year.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the City's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City’s fiscal year ending June 30, 2016.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average daily cash and investment balances.

Summary of Deposits and Investments

Cash and investments at June 30, 2015 are classified in the accompanying financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and investments	\$ 6,383,187	\$ 3,370,479	\$ 54,289	\$ 9,807,955
Cash overdraft	-	-	(234,552)	(234,552)
Restricted cash and investments	-	-	219,000	219,000
Total cash and investments	<u>\$ 6,383,187</u>	<u>\$ 3,370,479</u>	<u>\$ 38,737</u>	<u>\$ 9,792,403</u>

Cash and investments consist of the following as of June 30, 2015:

Cash on hand	\$ 1,735
Deposits with financial institutions	4,499,343
Investments	<u>5,291,325</u>
Total cash and investments	<u>\$ 9,792,403</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The investment policy of the City is consistent with guidelines set forth under State of California Government Code Section 53601 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the City Manager in compliance with the Statement of Investment Policy adopted by the City Council, which delegates to the City Manager the authority to invest City funds and to deposit securities. All investments are carried at fair value in accordance with GASB Statement No. 31.

Under provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund Deposits (State Pool)
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- Reverse Repurchase Agreements
- Small Business Administration Loans

All City investment activities were within State statutes and the City's investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State Investment Pool	\$ 2,002,898	\$ 2,002,898	\$ -	\$ -
Money Market	33,885	33,885	-	-
Certificates of Deposits	1,490,867	-	1,490,867	-
Federal Agency Securities:				
Federal Farm Credit Banks	1,017,250	267,257	749,993	-
Federal National Mortgage Association	496,670		496,670	
Financing Corp Principal FICO	249,755	249,755	-	-
Total	<u>\$ 5,291,325</u>	<u>\$ 2,036,783</u>	<u>\$ 517,012</u>	<u>\$ 2,737,530</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type		Exempt from Disclosure	Rating as of Year-End	
			AAA	Not Rated
State Investment Pool	\$ 2,002,898	\$ -	\$ -	\$ 2,002,898
Money Market	33,885	-	-	33,885
Certificates of Deposits	1,490,867	-	-	1,490,867
Federal Agency Securities:				
Federal Farm Credit Banks	1,017,250	-	1,017,250	-
Federal National Mortgage Association	496,670	-	496,670	-
Federal National Mortgage Association	249,755	-	-	249,755
Total	\$ 5,291,325	\$ -	\$ 1,513,920	\$ 3,777,405

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the concentration of the government’s investment in a single issuer. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investment in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City’s total investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Banks	Federal Agency Securities	\$ 1,017,250
Federal National Mortgage Association	Federal Agency Securities	496,670

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City may and has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The carrying amounts of the City's cash deposits totaled \$4,499,343 at June 30, 2015. Bank balances were \$4,762,039, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2015, there were no investments that were required to be identified by GASB Statement No. 40 in relation to custodial credit risk.

Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight to the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The City's investments with LAIF at June 30, 2015 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgaged-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the City had \$2,002,898 invested in LAIF. Fair value of the City's LAIF investments was \$2,003,651 as of June 30, 2015. This is arrived at by multiplying the City's LAIF account balance by a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost, resulting in a factor of 1.000375979.

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE

Forgivable Loans:

The grant funds expended for rehabilitation under the Community Development Block Grant Program are recorded as expenditures in the year the loans are made to participants, even though the amounts will be recovered as the loans are repaid. The City maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year such payments are received. Loans recorded as receivable are "performing" loans with monthly/annual activity.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)

Forgivable Loans: (Continued)

Deferred payment loans receivable under the Community Development Block Grant, HOME Investment Program, and CalHOME Programs are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling at which time the full amount of the deferred loan is due. Deferred payment loans are "non-performing loans" and are not recorded as receivable or unavailable revenue. Such loans totaled \$9,063,656 as of June 30, 2015.

Deferred payment loans receivable for the Community Redevelopment Agency Special Revenue Fund totaled \$348,104 as of June 30, 2015.

Loans receivable consisted of the following as of June 30, 2015:

Low and Moderate Income Housing Asset Special Revenue Fund

On October 1, 2004, Farmersville Redevelopment Agency loaned Farmersville Park Creek Associates the amount of \$100,000 for acquisition of real property and construction of forty-seven units of affordable housing for families and one unit for a resident manager. The agreement specified that the loan will be repaid in thirty years, with interest equal to 1% per annum. \$ 100,000

On August 20, 2009, Farmersville Redevelopment Agency loaned Farmersville Gateway Associates the amount of \$200,000 for acquisition of real property and construction of forty-seven units of affordable housing for families and one unit of a resident manager. The agreement specified that the loan will be repaid in thirty years, with interest equal to 1% per annum. 200,000

The City administers a housing rehabilitation loan program. Under this program, individuals with incomes below certain levels are eligible to receive low interest loans for rehabilitation work on their homes. These performing loans are secured by deeds of trust on the rehabilitated properties. 348,104

Community Development Block Grant Program Income Special Revenue Fund

The City administers a housing rehabilitation loan program funded with Community Development Block Grant funds. Under this program, individuals with incomes below certain levels are eligible to receive low interest loans for rehabilitation work on their homes. These performing loans are secured by deeds of trust on the rehabilitated properties. 240

On February 1, 2010, the City entered into a promissory note with Farmersville Senior Associates to provide a loan of \$1,900,000, which Farmersville Senior Associates can drawdown as needed. The loan is due in fifty-five years at 5% interest and will be repaid from residual receipts generated by the project. 1,900,000

Total loans receivable \$ 2,548,344

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Loans Receivable and Payable

Interfund loans receivable and payable consisted of the following at June 30, 2015:

	Due		Advances	
	From	To	To	From
Major Funds:				
General Fund	\$ 56,080	\$ -	\$ -	\$ 91,950
Nonmajor Funds:				
Park Development Special Revenue Fund		48,699		
Developer Fees Special Revenue Fund	-	-	91,950	-
Federal Grants Special Revenue Fund	-	7,381	-	-
	<u>-</u>	<u>7,381</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 56,080</u>	<u>\$ 56,080</u>	<u>\$ 91,950</u>	<u>\$ 91,950</u>

The balance of \$48,699 due to the General Fund from the Park Development Special Revenue Fund represents short-term borrowing resulting from temporary need for additional cash. This amount expected to be repaid shortly after the end of the fiscal year.

The balance of \$7,381 due to the General Fund from the Federal Grants Special Revenue Fund represents short-term borrowing resulting from temporary need for additional cash. This amount expected to be repaid shortly after the end of the fiscal year.

The balance of \$91,950 for advances from other funds in the General Fund is for "Demand Notes" with unstated demand dates that consist of cash advances from the Developer Fees Special Revenue Fund. The loans were made in fiscal year 2011. The City has indicated that there are no plans to collect on the notes due to the Developer Fees Special Revenue Fund within the next year.

Transfers in/Transfers Out

The following schedules summarized the City's transfer activity for the year ended June 30, 2015:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 25,931	\$ -
Child Care Special Revenue Fund	-	25,931
	<u>-</u>	<u>25,931</u>
Total	<u>\$ 25,931</u>	<u>\$ 25,931</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for governmental activities for the year ended June 30, 2015 is as follows:

	<u>Balances</u> <u>June 30, 2014</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances</u> <u>June 30, 2015</u>
Governmental Activities:				
<i>Non-depreciable assets:</i>				
Land	\$ 1,049,948	\$ 8,151	\$ -	\$ 1,058,099
Infrastructure in progress	<u>1,567,275</u>	<u>371,774</u>	<u>(149,391)</u>	<u>1,789,658</u>
Total non-depreciable assets	<u>2,617,223</u>	<u>379,925</u>	<u>(149,391)</u>	<u>2,847,757</u>
<i>Depreciable assets:</i>				
Buildings and improvements	2,466,438	5,975	-	2,472,413
Vehicles, machinery and equipment	2,172,530	75,164	-	2,247,694
Infrastructure	<u>5,736,612</u>	<u>339,881</u>	<u>-</u>	<u>6,076,493</u>
Total depreciable assets	<u>10,375,580</u>	<u>421,020</u>	<u>-</u>	<u>10,796,600</u>
Less accumulated depreciation for:				
Buildings and improvements	1,138,540	73,787	-	1,212,327
Vehicles, machinery and equipment	1,672,397	95,367	-	1,767,764
Infrastructure	<u>928,387</u>	<u>169,856</u>	<u>-</u>	<u>1,098,243</u>
Total accumulated depreciation	<u>3,739,324</u>	<u>339,010</u>	<u>-</u>	<u>4,078,334</u>
Depreciable assets, net	<u>6,636,256</u>	<u>82,010</u>	<u>-</u>	<u>6,718,266</u>
Government activities capital assets, net	<u>\$ 9,253,479</u>	<u>\$ 461,935</u>	<u>\$ (149,391)</u>	<u>\$ 9,566,023</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of capital assets activity for business-type activities for the year ended June 30, 2015 is as follows:

	<u>Balances</u> June 30, 2014	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances</u> June 30, 2015
Business-Type Activities:				
<i>Non-depreciable assets:</i>				
Land	\$ 953,935	\$ -	\$ -	\$ 953,935
Construction in progress	<u>820,538</u>	<u>1,719,108</u>	<u>-</u>	<u>2,539,646</u>
Total non-depreciable assets	<u>1,774,473</u>	<u>1,719,108</u>	<u>-</u>	<u>3,493,581</u>
<i>Depreciable assets:</i>				
Buildings and improvements	152,061	-	-	152,061
Vehicles, machinery and equipment	1,264,059	-	-	1,264,059
Utility transmission structures	<u>5,518,039</u>	<u>83,481</u>	<u>-</u>	<u>5,601,520</u>
Total depreciable assets	<u>6,934,159</u>	<u>83,481</u>	<u>-</u>	<u>7,017,640</u>
Less accumulated depreciation for:				
Buildings and improvements	59,275	5,770	-	65,045
Vehicles, machinery and equipment	1,018,488	55,290	-	1,073,778
Utility transmission structures	<u>2,453,277</u>	<u>133,833</u>	<u>-</u>	<u>2,587,110</u>
Total accumulated depreciation	<u>3,531,040</u>	<u>194,893</u>	<u>-</u>	<u>3,725,933</u>
Depreciable assets, net	<u>3,403,119</u>	<u>(111,412)</u>	<u>-</u>	<u>3,291,707</u>
Business-type activities capital assets, net	<u>\$ 5,177,592</u>	<u>\$ 1,607,696</u>	<u>\$ -</u>	<u>\$ 6,785,288</u>

Depreciation expense was charged to the following functions on the statement of activities:

Governmental Activities:	
Administration	\$ 46,785
Public safety - law enforcement	41,215
Public safety - fire	25,100
Street construction and maintenance	168,335
Recreation and parks	24,848
Community development	10,934
Childcare center operation	21,793
Business-Type Activities:	
Water	106,554
Sewer	<u>88,339</u>
Total	<u>\$ 533,903</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items to report as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type, which is unavailable revenue. The unavailable revenues arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General</u>	<u>Federal and State Grants Special Revenue Fund</u>	<u>Street Tax Special Revenue Fund</u>	<u>CDBG Program Income Special Revenue Fund</u>	<u>Low and Moderate Income Housing Asset Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Intergovernmental Loans	\$ 17,100 -	\$ 5,207 -	\$ 27,544 -	\$ - 1,900,240	\$ - 648,104	\$ 70,476 -	\$ 120,327 2,548,344
Total	<u>\$ 17,100</u>	<u>\$ 5,207</u>	<u>\$ 27,544</u>	<u>\$ 1,900,240</u>	<u>\$ 648,104</u>	<u>\$ 70,476</u>	<u>\$ 2,668,671</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – COMPENSATED ABSENCES

As described in Note 1, under certain circumstances and according to the negotiated labor agreements, City employees are allowed to accumulate annual leave. The annual leave amount is accrued and accounted as compensated absences in the government-wide and proprietary fund statements.

As shown in the table below, the long-term portion of this debt amounts to \$495,576 for governmental activities and \$61,385 for business-type activities at June 30, 2015. These amounts are expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the General Fund and the proprietary funds. The total amount outstanding at June 30, 2015 was \$619,470 for governmental activities and \$76,731 for business-type activities.

	<u>Balances</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2015</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
Governmental Activities	\$ 548,204	\$ 71,266	\$ -	\$ 619,470	\$ 123,894
Business-Type Activities	\$ 57,640	\$ 19,091	\$ -	\$ 76,731	\$ 15,346

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092 to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	18.066%	6.250%
	<u>Safety</u>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	1.426% to 2.000%	1.426% to 2.000%
Required employee contribution rates	7.000%	9.500%
Required employer contribution rates	15.691%	9.500%

Contributions – Section 20814c of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 76,113	\$ 128,907
Contributions - employee (paid by employer)	30,035	28,613

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>	
Miscellaneous	\$	666,950
Safety		422,930
		<hr/>
Total Net Pension Liability	\$	<u>1,089,880</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.02%	0.01%
Proportion - June 30, 2014	0.03%	0.01%
Change - Increase (Decrease)	0.01%	0.00%

For the year ended June 30, 2015, the City recognized pension expense of \$238,157. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 261,164	\$ -
Differences between actual and expected experience	78,024	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(55,257)
Net differences between projected and actual earnings on plan investments	-	(246,538)
	<hr/>	<hr/>
Total	\$ 339,188	\$ (301,795)

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$261,164 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	\$	(53,504)
2017		(53,504)
2018		(55,130)
2019		(61,633)
Thereafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
	Derived using	Derived using
	CalPERS'	CalPERS'
	Membership data	Membership data
Mortality	for all Funds (3)	for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is schedule to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$998,681	\$713,993
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$666,950	\$422,930
1% Increase	8.50%	8.50%
Net Pension Liability	\$391,644	\$183,106

E. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$14,337 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – RISK MANAGEMENT

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$25,000. The CSJVRMA participates in an excess pool that provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The Central San Joaquin Valley Risk Management Authority is a consortium of fifty-two (52) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. Seq. The Central San Joaquin Valley Risk Management Authority is governed by a Board of Directors, which meets 3-4 times per year, and consists of one member appointed by each member city. A management group employed by CSJVRMA handles the day-to-day business.

The summary financial position and results of operations for CSJVRMA, as of June 30, 2014 (most recent available), is presented as follows:

Total assets	\$ 80,694,798
Total liabilities	<u>65,440,947</u>
Total net position	<u>\$ 15,253,851</u>
Revenues	\$ 32,108,146
Expenses	<u>32,739,704</u>
Change in net position	<u>\$ (631,558)</u>

At the terminations of the joint venture agreement and after all claims have been settled, any excess or deficit will be divided among the cities in proportion to the aggregate amount of contribution made by each.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – SUCCESSOR AGENCY TRUST FUND

On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the Bill”) which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2015 was as follows:

	<u>Balance June 30, 2014</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2015</u>
Successor Agency Trust Fund:				
<i>Non-depreciable assets:</i>				
Land	\$ 525,457	\$ -	\$ -	\$ 525,457
Total non-depreciable assets	<u>525,457</u>	<u>-</u>	<u>-</u>	<u>525,457</u>
<i>Depreciable assets:</i>				
Buildings and improvements	3,772,399	-	-	3,772,399
Vehicles, machinery and equipment	<u>234,075</u>	<u>-</u>	<u>-</u>	<u>234,075</u>
Total depreciable assets	<u>4,006,474</u>	<u>-</u>	<u>-</u>	<u>4,006,474</u>
Less accumulated depreciation for:				
Buildings and improvements	301,273	125,747	-	427,020
Vehicles, machinery and equipment	<u>87,463</u>	<u>17,847</u>	<u>-</u>	<u>105,310</u>
Total accumulated depreciation	<u>388,736</u>	<u>143,594</u>	<u>-</u>	<u>532,330</u>
Depreciable assets, net	<u>3,617,738</u>	<u>(143,594)</u>	<u>-</u>	<u>3,474,144</u>
Capital assets, net	<u>\$ 4,143,195</u>	<u>\$ (143,594)</u>	<u>\$ -</u>	<u>\$ 3,999,601</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2015 was comprised of the following:

	<u>Balance June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
USDA Loan	\$ 2,361,301	\$ -	\$ (105,626)	\$ 2,255,675	\$ 110,312
Total long-term debt	<u>\$ 2,361,301</u>	<u>\$ -</u>	<u>\$ (105,626)</u>	<u>\$ 2,255,675</u>	<u>\$ 110,312</u>

USDA Loan

On August 11, 2009, the Farmersville Redevelopment Agency entered into loan agreement with the United States Department of Agriculture (the "USDA") for construction of a community center. The loan not-to-exceed amount is \$2,971,200 and the loan will be repayable over a period not to exceed 30 years from the date of loan closing at the intermediate interest rate of 4.375%. The first interest installment is due no later than one full year from the date of loan closing. The outstanding loan balance as of June 30, 2015 is \$2,255,675.

Annual debt service requirements to maturity of the USDA Loan are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 110,312	\$ 88,021	\$ 198,333
2017	115,186	83,511	198,697
2018	120,255	78,802	199,057
2019	125,527	73,886	199,413
2020	131,010	68,756	199,766
2021-2025	745,276	258,664	1,003,940
2026-2030	<u>908,109</u>	<u>92,984</u>	<u>1,001,093</u>
Total	<u>\$ 2,255,675</u>	<u>\$ 744,624</u>	<u>\$ 3,000,299</u>

NOTE 12 – DEFICIT FUND BALANCES

The following funds had deficit fund equity at June 30, 2015:

Major Funds:

None

Nonmajor Funds:

Park Development Special Revenue Fund	\$ (39,880)
Federal Grants Special Revenue Fund	\$ (7,381)

These deficits will be eliminated through future revenues or transfers from other funds.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position decreased as follows:

Government-Wide Financial Statements

Governmental Activities	\$ (693,740)
Business-Type Activities	<u>(381,753)</u>
 Total Government-wide Financial Statements	 <u>\$ (1,075,493)</u>

Enterprise Fund Financial Statements

Water Fund	\$ (149,974)
Sewer Fund	(190,877)
Refuse Fund	<u>(40,902)</u>
 Total Enterprise Funds	 <u>\$ (381,753)</u>

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 28, 2015, the date the financial statements were available to be issued. Except as described above, no other events requiring recognition or disclosure in the financial statements were identified.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,102,371	\$ 1,102,371	\$ 1,214,947	\$ 112,576
Sales taxes	735,000	735,000	899,431	164,431
Other taxes	146,500	146,500	148,153	1,653
Licenses and permits	53,000	53,000	57,508	4,508
Charges for services	144,754	144,754	167,805	23,051
Intergovernmental	320,119	320,119	658,753	338,634
Fines and penalties	24,250	24,250	36,426	12,176
Investment income	3,944	3,944	18,974	15,030
Rent	151,000	151,000	150,420	(580)
Miscellaneous revenue	<u>4,000</u>	<u>4,000</u>	<u>164,950</u>	<u>160,950</u>
 Total revenues	 <u>2,684,938</u>	 <u>2,684,938</u>	 <u>3,517,367</u>	 <u>832,429</u>
EXPENDITURES				
Current:				
City council	4,550	4,550	11,014	(6,464)
Administration	260,332	260,332	194,793	65,539
Library	3,547	3,547	1,888	1,659
Public safety:				
Law enforcement	1,632,720	1,632,720	1,635,500	(2,780)
Fire services	497,561	497,561	470,039	27,522
Animal control	59,699	59,699	85,728	(26,029)
Buildings, grounds and parks	106,399	106,399	135,855	(29,456)
Recreation	-	-	3,000	(3,000)
Street construction and maintenance	6,600	6,600	7,545	(945)
Community development	104,716	104,716	157,548	(52,832)
Capital outlay	<u>34,000</u>	<u>34,000</u>	<u>80,682</u>	<u>(46,682)</u>
 Total expenditures	 <u>2,710,124</u>	 <u>2,710,124</u>	 <u>2,783,592</u>	 <u>(73,468)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(25,186)</u>	 <u>(25,186)</u>	 <u>733,775</u>	 <u>758,961</u>
 Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>25,931</u>	<u>25,931</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>25,931</u>	 <u>25,931</u>
 Net change in fund balance	 (25,186)	 (25,186)	 759,706	 784,892
 Fund balances - beginning	 <u>1,540,460</u>	 <u>1,540,460</u>	 <u>1,540,460</u>	 <u>-</u>
 Fund balances (deficits) - ending	 <u>\$ 1,515,274</u>	 <u>\$ 1,515,274</u>	 <u>\$ 2,300,166</u>	 <u>\$ 784,892</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 449,294	\$ 449,294	\$ 608,250	\$ 158,956
Miscellaneous revenues	<u>650</u>	<u>650</u>	<u>451</u>	<u>(199)</u>
Total revenues	<u>449,944</u>	<u>449,944</u>	<u>608,701</u>	<u>158,757</u>
EXPENDITURES				
Current:				
Community development	<u>449,294</u>	<u>449,294</u>	<u>442,068</u>	<u>7,226</u>
Total expenditures	<u>449,294</u>	<u>449,294</u>	<u>442,068</u>	<u>7,226</u>
Net change in fund balance	650	650	166,633	165,983
Fund balances - beginning	<u>(98,827)</u>	<u>(98,827)</u>	<u>(98,827)</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ (98,177)</u>	<u>\$ (98,177)</u>	<u>\$ 67,806</u>	<u>\$ 165,983</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
STREET TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 9,984,679	\$ 9,984,679	\$ 2,017,308	\$ (7,967,371)
Investment income	<u>11,445</u>	<u>11,445</u>	<u>12,745</u>	<u>1,300</u>
Total revenues	<u>9,996,124</u>	<u>9,996,124</u>	<u>2,030,053</u>	<u>(7,966,071)</u>
EXPENDITURES				
Current:				
Street construction and maintenance	781,824	781,824	436,727	345,097
Capital outlay	<u>7,850,000</u>	<u>7,850,000</u>	<u>332,947</u>	<u>7,517,053</u>
Total expenditures	<u>8,631,824</u>	<u>8,631,824</u>	<u>769,674</u>	<u>7,862,150</u>
Net change in fund balance	1,364,300	1,364,300	1,260,379	(103,921)
Fund balances - beginning	<u>2,120,193</u>	<u>2,120,193</u>	<u>2,120,193</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ 3,484,493</u>	<u>\$ 3,484,493</u>	<u>\$ 3,380,572</u>	<u>\$ (103,921)</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
CHILDCARE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment income	\$ 1,726	\$ 1,726	\$ -	\$ (1,726)
Miscellaneous revenues	<u>42,000</u>	<u>42,000</u>	<u>125,765</u>	<u>83,765</u>
Total revenues	<u>43,726</u>	<u>43,726</u>	<u>125,765</u>	<u>82,039</u>
EXPENDITURES				
Current:				
Childcare center operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,726</u>	<u>43,726</u>	<u>125,765</u>	<u>82,039</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(25,931)</u>	<u>(25,931)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(25,931)</u>	<u>25,931</u>
Net change in fund balance	43,726	43,726	99,834	56,108
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>(99,834)</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ 43,726</u>	<u>\$ 43,726</u>	<u>\$ -</u>	<u>\$ 56,108</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
CDBG PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 1,000	\$ 1,000	\$ 10,097	\$ 9,097
Investment income	547	547	716	169
Loan repayments	<u>-</u>	<u>-</u>	<u>164,778</u>	<u>164,778</u>
Total revenues	<u>1,547</u>	<u>1,547</u>	<u>175,591</u>	<u>174,044</u>
EXPENDITURES				
Current:				
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,547</u>	<u>1,547</u>	<u>175,591</u>	<u>174,044</u>
Net change in fund balance	1,547	1,547	175,591	174,044
Fund balances - beginning	<u>87,465</u>	<u>87,465</u>	<u>87,465</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ 89,012</u>	<u>\$ 89,012</u>	<u>\$ 263,056</u>	<u>\$ 174,044</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Loan repayments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,389</u>	<u>\$ 22,389</u>
Total revenues	<u>-</u>	<u>-</u>	<u>22,389</u>	<u>22,389</u>
EXPENDITURES				
Current:				
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	22,389	22,389
Fund balances - beginning	<u>6,373</u>	<u>6,373</u>	<u>6,373</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ 6,373</u>	<u>\$ 6,373</u>	<u>\$ 28,762</u>	<u>\$ 22,389</u>

CITY OF FARMERSVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Prior to July 1, the City Council adopts budgets for the governmental fund types. Following publication and public hearings, the budgets are legally enacted by resolution. The budgets are adopted on a modified accrual basis of accounting. The City Council approves budget amendments as needed during the fiscal year. The budget is prepared on a generally accepted accounting principles (GAAP) basis.

If expenditures exceed appropriations, the City Manager is authorized to transfer budgeted amounts between line items within any department. However, any revisions that alter the total appropriations of any department must be approved by the City Council. Budgeted amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on a Budgetary Basis include amendments for these supplemental appropriations.

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds except the Child Care Center Special Revenue Fund and the Low and Moderate Housing Asset Special Revenue Fund.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Current:			
City council	\$ 4,550	\$ 11,014	\$ (6,464)
Public safety:			
Law enforcement	1,632,720	1,635,500	(2,780)
Animal control	59,699	85,728	(26,029)
Buildings, grounds and parks	106,399	135,855	(29,456)
Recreation	-	3,000	(3,000)
Street construction and maintenance	6,600	7,545	(945)
Community development	104,716	157,548	(52,832)
Capital outlay	34,000	80,682	(46,682)

CITY OF FARMERSVILLE

**PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS***

	<u>2015</u>	
	<u>Miscellaneous</u>	<u>Safety</u>
Proportion of the net pension liability	0.01072%	0.00680%
Proportionate share of the net pension liability	\$ 666,950	\$ 422,930
Covered - employee payroll	\$ 375,016	\$ 809,594
Proportionate Share of the net pension liability as percentage of covered-employee payroll	177.85%	52.24%
Plan's fiduciary net position	\$ 1,833,611	\$ 1,750,035
Plan fiduciary net position as a percentage of the total pension liability	73.33%	40.27%

Notes to Schedule:

Change in Benefit Terms. None

Change in Assumptions. None

* Fiscal year 2015 was the 1st year of implementation; therefore only one year is shown.

CITY OF FARMERSVILLE
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS*

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Actuarially determined contribution	\$ 75,126	\$ 128,905
Contributions in relation to the actuarially determined contributions	(75,126)	(128,905)
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 375,016	 \$ 809,594
Contributions as a percentage of covered-employee payroll	20.03%	15.92%

Notes to Schedule:

	<u>Miscellaneous</u>	<u>Safety</u>
	<u>6/30/2012</u>	<u>6/30/2012</u>
Valuation date:		
Methods and assumptions used to determine contribution rates:		
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	7 Years as of the Valuation Date	13 Years as of the Valuation Date
Asset Valuation Method	15-year smoothed market	15-year smoothed market
Inflation	2.75%	2.75%
Salary Increases	3.30% to 14.20% Depending on age, service, and type of employment	
Payroll Growth	3.00%	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation	
Retirement Age	67 years	57 years
Mortality	Derived using CalPERS' Membership data for all Funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.	

* Fiscal year 2015 was the 1st year of implementation; therefore only one year is shown.

SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 575,937	\$ 97,556	\$ 673,493
Receivables (net of allowance for uncollectibles):			
Intergovernmental	81,248	-	81,248
Advances to other funds	<u>91,950</u>	<u>-</u>	<u>91,950</u>
Total assets	<u>\$ 749,135</u>	<u>\$ 97,556</u>	<u>\$ 846,691</u>
LIABILITIES			
Accounts payable	\$ 11,918	\$ -	\$ 11,918
Due to other funds	<u>56,080</u>	<u>-</u>	<u>56,080</u>
Total liabilities	<u>67,998</u>	<u>-</u>	<u>67,998</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>70,476</u>	<u>-</u>	<u>70,476</u>
Total deferred inflows of resources	<u>70,476</u>	<u>-</u>	<u>70,476</u>
FUND BALANCES (DEFICITS)			
Nonspendable:			
Long-term receivables	91,950	-	91,950
Restricted for:			
Public safety	253,100	-	253,100
Community development	25,940	-	25,940
Capital maintenance	286,932	97,556	384,488
Unassigned	<u>(47,261)</u>	<u>-</u>	<u>(47,261)</u>
Total fund balances	<u>610,661</u>	<u>97,556</u>	<u>708,217</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 749,135</u>	<u>\$ 97,556</u>	<u>\$ 846,691</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 59,767	\$ -	\$ 59,767
Developer fees	19,110	5,460	24,570
Intergovernmental	115,457	-	115,457
Investment income	2,401	607	3,008
Miscellaneous revenue	<u>26,724</u>	<u>-</u>	<u>26,724</u>
 Total revenues	 <u>223,459</u>	 <u>6,067</u>	 <u>229,526</u>
 EXPENDITURES			
Current:			
Public safety:			
Law enforcement	104,257	-	104,257
Buildings, grounds and parks	72,444	-	72,444
Street construction and maintenance	59,805	1,215	61,020
Capital outlay	<u>78,907</u>	<u>83,481</u>	<u>162,388</u>
 Total expenditures	 <u>315,413</u>	 <u>84,696</u>	 <u>400,109</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(91,954)</u>	 <u>(78,629)</u>	 <u>(170,583)</u>
 Net changes in fund balances	 (91,954)	 (78,629)	 (170,583)
 Fund balances - beginning	 <u>702,615</u>	 <u>176,185</u>	 <u>878,800</u>
 Fund balances (deficits) - ending	 <u>\$ 610,661</u>	 <u>\$ 97,556</u>	 <u>\$ 708,217</u>

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	<u>Park Development Fund</u>	<u>Maintenance District</u>	<u>Developer Fees</u>	<u>Drug Enforcement Fund</u>
ASSETS				
Cash and cash equivalents	\$ 8,887	\$ 122,694	\$ 166,255	\$ 32,472
Receivables (net of allowance for uncollectibles):				
Intergovernmental	70,476	1,610	-	-
Advances to other funds	<u>-</u>	<u>-</u>	<u>91,950</u>	<u>-</u>
Total assets	<u>\$ 79,363</u>	<u>\$ 124,304</u>	<u>\$ 258,205</u>	<u>\$ 32,472</u>
LIABILITIES				
Accounts payable	\$ 68	\$ 3,627	\$ -	\$ 7,505
Due to other funds	<u>48,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>48,767</u>	<u>3,627</u>	<u>-</u>	<u>7,505</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>70,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>70,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Long-term receivables	-	-	91,950	-
Restricted for:				
Public safety	-	-	-	24,967
Buildings, grounds and parks	-	-	-	-
Community development	-	-	-	-
Capital maintenance	-	120,677	166,255	-
Unassigned	<u>(39,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(39,880)</u>	<u>120,677</u>	<u>258,205</u>	<u>24,967</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 79,363</u>	<u>\$ 124,304</u>	<u>\$ 258,205</u>	<u>\$ 32,472</u>

<u>Police Grants</u>	<u>State and County Asset Forfeiture</u>	<u>CalHOME Program Income</u>	<u>Federal Grants</u>	<u>Totals</u>
\$ 215,758	\$ 3,931	\$ 25,940	\$ -	\$ 575,937
9,162	-	-	-	81,248
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,950</u>
<u>\$ 224,920</u>	<u>\$ 3,931</u>	<u>\$ 25,940</u>	<u>\$ -</u>	<u>\$ 749,135</u>
\$ 718	\$ -	\$ -	\$ -	\$ 11,918
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,381</u>	<u>56,080</u>
<u>718</u>	<u>-</u>	<u>-</u>	<u>7,381</u>	<u>67,998</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,476</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,476</u>
-	-	-	-	91,950
224,202	3,931	-	-	253,100
-	-	-	-	-
-	-	25,940	-	25,940
-	-	-	-	286,932
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,381)</u>	<u>(47,261)</u>
<u>224,202</u>	<u>3,931</u>	<u>25,940</u>	<u>(7,381)</u>	<u>610,661</u>
<u>\$ 224,920</u>	<u>\$ 3,931</u>	<u>\$ 25,940</u>	<u>\$ -</u>	<u>\$ 749,135</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund
REVENUES				
Property taxes	\$ -	\$ 59,767	\$ -	\$ -
Developer fees	-	-	19,110	-
Intergovernmental	-	-	-	-
Investment income	38	500	749	139
Miscellaneous revenue	<u>26,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>26,762</u>	<u>60,267</u>	<u>19,859</u>	<u>139</u>
EXPENDITURES				
Current:				
Public safety:				
Law enforcement	-	-	21,002	1,000
Buildings, grounds and parks	72,444	-	-	-
Street construction and maintenance	-	59,805	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>78,907</u>	<u>-</u>
Total expenditures	<u>72,444</u>	<u>59,805</u>	<u>99,909</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,682)</u>	<u>462</u>	<u>(80,050)</u>	<u>(861)</u>
Net changes in fund balances	(45,682)	462	(80,050)	(861)
Fund balances - beginning	<u>5,802</u>	<u>120,215</u>	<u>338,255</u>	<u>25,828</u>
Fund balances (deficits) - ending	<u>\$ (39,880)</u>	<u>\$ 120,677</u>	<u>\$ 258,205</u>	<u>\$ 24,967</u>

<u>Police Grants</u>	<u>State and County Asset Forfeiture</u>	<u>CalHOME Program Income</u>	<u>Federal Grants</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 59,767
-	-	-	-	19,110
111,701	-	3,756	-	115,457
854	18	103	-	2,401
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,724</u>
<u>112,555</u>	<u>18</u>	<u>3,859</u>	<u>-</u>	<u>223,459</u>
82,255	-	-	-	104,257
-	-	-	-	72,444
-	-	-	-	59,805
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,907</u>
<u>82,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,413</u>
<u>30,300</u>	<u>18</u>	<u>3,859</u>	<u>-</u>	<u>(91,954)</u>
30,300	18	3,859	-	(91,954)
<u>193,902</u>	<u>3,913</u>	<u>22,081</u>	<u>(7,381)</u>	<u>702,615</u>
<u>\$ 224,202</u>	<u>\$ 3,931</u>	<u>\$ 25,940</u>	<u>\$ (7,381)</u>	<u>\$ 610,661</u>

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2015

	<u>Storm Drain Development Fund</u>
ASSETS	
Cash and cash equivalents	\$ 97,556
Total assets	<u>\$ 97,556</u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
FUND BALANCES (DEFICITS)	
Restricted for:	
Capital maintenance	<u>97,556</u>
Total fund balances	<u>97,556</u>
Total liabilities and fund balances	<u>\$ 97,556</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Storm Drain Development Fund</u>
REVENUES	
Developer fees	\$ 5,460
Investment income	<u>607</u>
Total revenues	<u>6,067</u>
EXPENDITURES	
Current:	
Street construction and maintenance	1,215
Capital improvements	<u>83,481</u>
Total expenditures	<u>84,696</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,629)</u>
Net change in fund balance	(78,629)
Fund balances - beginning	<u>176,185</u>
Fund balances (deficits) - ending	<u>\$ 97,556</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015**

	Customer Utility Deposit			Balance June 30, 2015
	Balance June 30, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 42,438	\$ 31,630	\$ (20,806)	\$ 53,262
Total assets	<u>\$ 42,438</u>	<u>\$ 31,630</u>	<u>\$ (20,806)</u>	<u>\$ 53,262</u>
LIABILITIES				
Accounts payable	\$ 300	\$ 4,047	\$ (4,047)	\$ 300
Customer deposits	<u>42,138</u>	<u>32,730</u>	<u>(21,906)</u>	<u>52,962</u>
Total liabilities	<u>\$ 42,438</u>	<u>\$ 36,777</u>	<u>\$ (25,953)</u>	<u>\$ 53,262</u>

	PD Hold Unadjudicated Evidence			Balance June 30, 2015
	Balance June 30, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 955	\$ 4	\$ -	\$ 959
Total assets	<u>\$ 955</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 959</u>
LIABILITIES				
Due to other agencies	\$ 955	\$ 4	\$ -	\$ 959
Total liabilities	<u>\$ 955</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 959</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015**

	Live Scan			Balance June 30, 2015
	Balance June 30, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ (200)	\$ 2,186	\$ (1,918)	\$ 68
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ 503</u>	<u>\$ 2,186</u>	<u>\$ (1,918)</u>	<u>\$ 771</u>
LIABILITIES				
Accounts payable	\$ 49	\$ 2,030	\$ (1,967)	\$ 112
Due to other agencies	<u>454</u>	<u>2,234</u>	<u>(2,029)</u>	<u>659</u>
Total liabilities	<u>\$ 503</u>	<u>\$ 4,264</u>	<u>\$ (3,996)</u>	<u>\$ 771</u>

	Total			Balance June 30, 2015
	Balance June 30, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 43,193	\$ 33,820	\$ (22,724)	\$ 54,289
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ 43,896</u>	<u>\$ 33,820</u>	<u>\$ (22,724)</u>	<u>\$ 54,992</u>
LIABILITIES				
Accounts payable	\$ 349	\$ 6,077	\$ (6,014)	\$ 412
Customer deposits	42,138	32,730	(21,906)	52,962
Due to other agencies	<u>1,409</u>	<u>2,238</u>	<u>(2,029)</u>	<u>1,618</u>
Total liabilities	<u>\$ 43,896</u>	<u>\$ 41,045</u>	<u>\$ (29,949)</u>	<u>\$ 54,992</u>

CITY OF FARMERSVILLE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Award:			
Emergency Community Water Assistance Grant	10.763	ECWAG2014	\$ 480,701
Passed through California Department of Forestry and Fire Protection			
Volunteer Fire Assistance Program	10.664	7FG14145	<u>16,392</u>
Total U.S. Department of Agriculture			<u>497,093</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Award:			
FY2013 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00490	278,636
Passed through County of Tulare:			
Homeland Security Grant Program (HSGP) 2014	97.067	2014-00093	17,099
Homeland Security Grant Program (HSGP) 2013	97.067	2013-00110	<u>25,725</u>
Total U.S. Department of Homeland Security			<u>321,460</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Award:			
2012 COPS Hiring Recovery Program	16.710	2012UMWX0038	<u>77,332</u>
Total U.S. Department of Justice			<u>77,332</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 895,885</u>

CITY OF FARMERSVILLE

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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OTHER INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
City of Farmersville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
December 28, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Farmersville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Farmersville, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Farmersville, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

Price Pange & Company

Clovis, California
December 28, 2015

FINDINGS AND QUESTIONED COSTS

CITY OF FARMERSVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified - not considered to be material weaknesses?	_____ Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
Section .510(a) of Circular A-133?

_____ Yes	<u> X </u> No
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Identification of major programs:

CFDA Number
10.763

Name of Federal Program or Cluster
Emergency Community Water Assistance Grant

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AUDIT FINDINGS

None reported.

CITY OF FARMERSVILLE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

Finding 2014-001 Accounts Receivable

Condition: The City did not properly record certain receivables and the related revenue and unavailable revenue during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts.

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause: The City did not have adequate time to fully address this recommendation from the prior year, as their efforts were focused on areas with more significant issues.

Effect: As a result of this condition, receivables, revenues, and unavailable revenues were materially misstated.

Recommendation: The City already maintains a schedule for receivables at year-end, but they should refine their process to ensure that all receivables are captured and classified correctly. The City should place additional focus on receivables and revenues related to grants and loans.

Management's Response: The City is continuing to work toward improving all year-end and receivable processes. Part of this improvement process includes increased focus on grant reporting by staff. We are currently working with our grant writers on developing a grant reporting policy and calendar so that nothing is missed. Additionally, the City is in the process of outsourcing loan management which will dramatically improve the reporting performance of loans held by the City.

Status: Implemented.

CITY OF FARMERSVILLE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2014-002 Capital Assets

Condition: The City did not properly identify all capital asset acquisitions during the year.

Criteria: GASB Statement No. 34 requires the accurate and complete reporting of capital asset balances and related accumulated depreciation and depreciation expense in the government-wide financial statements.

Cause: The City did not consider various accrued expenditures as capital asset additions during its review the numerous capital outlay accounts it maintains in its accounting system.

Effect: As a result of this condition, capital assets were understated by \$405,465.

Recommendation: The City has improved considerably in this area during the last two years but should still implement stronger procedures to capture capital asset activity. We recommend that the City have in place a system to identify asset additions when invoices are being processed rather than exclusively performing procedures at year-end to try to identify potential activity that occurred throughout the year.

Management's Response: The City is working toward improving all year-end processes. Part of this process is to further develop our month-end reporting process. This includes monthly bank reconciliation as well as a check of all transactions posted and any related journal entries. Added to this process will be a review of all potential asset purchases and a clean-up of our inventory and depreciation schedules. This process will include working closely with department heads to identify these capital assets.

Status: Implemented.

CITY OF FARMERSVILLE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2014-003 Fund Balances

Condition: The fund balances in the City's accounting records did not reconcile to the prior year audited financial statements.

Criteria: Beginning balances per the City's trial balance should reconcile to the previous year audited financial statements balances.

Cause: The differences are the result of several different issues that can occur within the City's accounting system, which include, but are not limited to, the following instances:

- 1) Transactions may be posted to a period that has already been closed, which creates discrepancies between different trial balance reports within the system.
- 2) Expenses that were processed in one year but paid in the next may have been voided, which creates a discrepancy between the closing fund balances in the prior year and the opening fund balance in the current year.
- 3) Prior year proposed audit adjusting journals entries may not have been posted by the City, which causes a discrepancy between the opening fund balances in the City's accounting system and the prior year audited financial statements.

Effect: The City's accounting records did not accurately reflect financial position or results of operations and numerous audit adjustments were required to reconcile opening fund balances.

Recommendation: The City's year-end close process should include reconciling beginning fund balances to the prior year audited balances. Controls should be created and implemented to ensure that any of the above causes will be detected before the City's closes its financial records for the current fiscal year.

Management's Response: The City is working toward improving all year-end processes. Fiscal year 2012 and 2013 both had issues with fund balances caused by several issues during a difficult transition period for the City. We anticipate this coming to an end now that these processes have been refined and monthly processes have been put in place to head off any of these issues ahead of time.

Status: Implemented.

CITY OF FARMERSVILLE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2014-004 Miscodings

Condition: During our review of transactions, we discovered that the City had miscoded eight transactions into either the incorrect fund or account.

Criteria: Transactions should be classified and recorded into proper funds and accounts in the City's accounting system.

Cause: Miscoded transactions were the result of miscommunication or clerical errors. Additionally, this was due to the inability of the City's current controls to identify and correct miscoded transactions.

Effect: As a result of this condition, various funds and accounts were materially understated or overstated.

Recommendation: The City should implement a review process for all posted transactions to ensure that they have been properly coded in the City's accounting system. Additionally, department heads should be reviewing their budgets on a consistent basis to ensure that only valid expenses are hitting their fund or department.

Management's Response: The City is working toward improving all year-end processes. Part of that effort is to keep improving our month-end process that has been established. This process includes a review of the general ledger, including revenue and expense postings, journal entries, and bank reconciliations. This month-end process includes involving input from department heads on the accuracy of postings and journal entries and review where they stand with their budgets each month.

Status: Implemented.

CITY OF FARMERSVILLE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2014-005 Accounts Payable

Condition: The City did not properly identify and accrue all accounts payable and related expenditures at year-end.

Criteria: Expenditures should be recognized when liabilities are incurred.

Cause: Controls did not effectively identify all accounts payable and related expenditures.

Effect: As a result of this condition, accounts payable and expenses were understated by \$41,560.

Recommendation: The City should implement a supplementary review process for transactions near year-end to ensure all payables are captured and properly recorded in its financial system.

Management's Response: The City is working toward improving all year-end processes. The year-end accrual process has been vastly improved from prior years by using separate batches posted for prior year accrual amounts which are tracked on a separate spreadsheet. This instance was simply a one-off error related to a late invoice that was not included properly in the year-end accrual schedule.

Status: Implemented.