

CITY OF FARMERSVILLE
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2017

CITY OF FARMERSVILLE

JUNE 30, 2017

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT DISCUSSION AND ANALYSIS..... | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 17 |
| Statement of Activities..... | 18 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 22 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position | 25 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 26 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities | 28 |
| Statement of Net Position – Proprietary Funds | 29 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 30 |
| Statement of Cash Flows – Proprietary Funds | 31 |
| Statement of Fiduciary Net Position – Fiduciary Funds..... | 32 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 33 |
| Notes to the Basic Financial Statements..... | 34 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule – General Fund..... | 60 |
| Budgetary Comparison Schedule – Federal and State Grants Special Revenue Fund | 61 |
| Budgetary Comparison Schedule – Street Tax Special Revenue Fund | 62 |
| Budgetary Comparison Schedule – CDBG Program Income Special Revenue Fund | 63 |

CITY OF FARMERSVILLE

JUNE 30, 2017

| | <u>Page</u> |
|--|-------------|
| REQUIRED SUPPLEMENTARY INFORMATION (Continued) | |
| Notes to Required Supplementary Information | 64 |
| Proportionate Share of Net Pension Liability..... | 65 |
| Schedule of Contributions | 66 |
| SUPPLEMENTARY INFORMATION | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 68 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds..... | 69 |
| Special Revenue Funds: | |
| Combining Balance Sheet – Nonmajor Special Revenue Funds | 70 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds..... | 72 |
| Capital Projects Fund: | |
| Combining Balance Sheet – Nonmajor Capital Projects Fund..... | 74 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Fund..... | 76 |
| Fiduciary Funds: | |
| Combining Statement of Changes in Assets and Liabilities – Agency Funds | 76 |
| Schedule of Expenditures of Federal Awards | 78 |
| Note to the Schedule of Expenditures of Federal Awards | 79 |
| OTHER INDEPENDENT AUDITOR’S REPORTS | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 83 |
| Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 85 |
| FINDINGS AND QUESTIONED COSTS | |
| Schedule of Findings and Questioned Costs | 88 |
| Summary Schedule of Prior Audit Findings..... | 89 |



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, 2017, 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, 2017, 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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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14, budgetary comparison information on pages 60-63, the proportionate share of net pension liability on page 65, and the schedule of contributions on page 66 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 3, 2018, 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 Pange & Company

Clovis, California
March 3, 2018

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The management of the City of Farmersville (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$38,474,994 (net position). Of this amount, \$4,613,467 (unrestricted net position) may be used to meet the City's ongoing obligation to its citizens and creditors.

The City's total net position increased by \$3,042,723 from the prior fiscal year. Governmental activities increased the City's total net position by \$2,113,319 and business-type activities increased by \$929,404. The overall increase in net position is due to several factors. Governmental activities increased in several categories: cash position, receivables, and loans receivable. Cash position and receivables increased due to unavailable revenue from major project expenditures in prior periods that were reimbursed in the current year. Loans receivable increased compared to prior year because of new loans created in Fiscal Year 2017 through the 2014 CDBG grant awarded to the City for down payment assistance and home rehabilitation loans. The business-type activities of the City, which represent utility service for water, sewer, and refuse disposal, benefitted from a significant increase in cash position, and receivables due to utility rate increases for wastewater and refuse disposal. The majority of these increases are due to the final year of a scheduled 5-year ramp up in sewer utility rates to meet financing revenue requirements associated with the construction of a new wastewater treatment facility. Refuse utility rates increased during the same period (also the final year of a scheduled 5-year ramp up) to cover continued service costs passed through from the City's trash hauling contractor.

At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$7,197,680, an increase of \$257,533 in comparison with the prior year restated combined ending fund balances. Delay in reimbursement payments for capital outlay concerning projects funded through street tax special revenue funds accounting for most of the increase in governmental fund balances. Additionally, a decrease in the fund balance for the General Fund caused by a gap in grant funding for fire department positions detracted from the same amount. Miscellaneous adjustments, reclassifications, and delay in grant reimbursements in other governmental funds account the remainder of this net increase.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,817,983. This represents a \$149,804 decrease from the unassigned fund balance of \$1,967,787 reported at June 30, 2016. The decrease from the prior year is primarily the result of a gap in grant funding for fire department positions provided through the Staffing for Adequate Fire & Emergency Response (SAFER) Grant. The City was awarded two separate grants from the Federal Emergency Management Agency (FEMA) for fire department positions. The second award of the SAFER period of performance did not start until approximately six months after the conclusion of the first grant period.

The City's total long-term debt of \$3,265,016 increased by \$473,093 compared to last year. The increase is the result of scheduled principal and interest payments on the City's debt for new police vehicles during the fiscal year, coupled with the increase in net pension liability through CalPERS.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City included city council, administration, City properties, law enforcement, fire services, animal control; buildings, grounds and parks; City sponsorships, street construction and maintenance, and community development. The business-type activities of the City included water, sewer, and refuse.

The government-wide financial statements can be found on pages 17 through 19 of this report.

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

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

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal and State Grants Special Revenue Fund, Street Tax Special Revenue Fund, CDBG Program Income Special Revenue Fund, and Low and Moderate Income Housing Asset Special Revenue Fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 through 28 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. The City uses enterprise funds to account for its water, sewer, and refuse operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for its Public Financing Authority and for the water, sewer and sanitation operations, as all of these are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 29 through 31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The basic fiduciary fund financial statements can be found on pages 32 through 33 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to fully understand of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 through 57 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and major Special Revenue Funds budgetary comparison schedule to demonstrate compliance with the City's adopted budget. The City adopts an annual appropriated budget for its General Fund.

Required supplementary information can be found on pages 60 through 66 of this report.

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 68 through 77.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$38,474,994 at June 30, 2017.

**Condensed Statement of Net Position
June 30, 2017 and 2016**

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 12,650,662 | \$ 11,750,138 | \$ 5,873,158 | \$ 4,927,250 | \$ 18,523,820 | \$ 16,677,388 |
| Capital assets | 18,612,341 | 15,956,990 | 6,591,496 | 6,725,729 | 25,203,837 | 22,682,719 |
| Total assets | <u>31,263,003</u> | <u>27,707,128</u> | <u>12,464,654</u> | <u>11,652,979</u> | <u>43,727,657</u> | <u>39,360,107</u> |
| Deferred outflows of resources | 681,211 | 362,946 | 250,749 | 105,641 | 931,960 | 468,587 |
| Current liabilities | 2,710,814 | 1,226,248 | 71,632 | 91,501 | 2,782,446 | 1,317,749 |
| Long-term liabilities outstanding | 1,632,152 | 1,230,993 | 1,632,864 | 1,560,930 | 3,265,016 | 2,791,923 |
| Total liabilities | <u>4,342,966</u> | <u>2,457,241</u> | <u>1,704,496</u> | <u>1,652,431</u> | <u>6,047,462</u> | <u>4,109,672</u> |
| Deferred inflows of resources | 100,120 | 225,024 | 37,041 | 61,727 | 137,161 | 286,751 |
| Net position: | | | | | | |
| Net investment in capital assets | 18,480,341 | 15,956,990 | 5,466,496 | 5,600,729 | 23,946,837 | 21,557,719 |
| Restricted | 7,888,656 | 5,759,174 | 2,026,034 | 515,000 | 9,914,690 | 6,274,174 |
| Unrestricted | 1,132,131 | 3,671,645 | 3,481,336 | 3,928,733 | 4,613,467 | 7,600,378 |
| Total net position | <u>\$ 27,501,128</u> | <u>\$ 25,387,809</u> | <u>\$ 10,973,866</u> | <u>\$ 10,044,462</u> | <u>\$ 38,474,994</u> | <u>\$ 35,432,271</u> |

The largest portion of the City's net position, \$23,946,837 (62 percent) represents investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$4,613,467 (12 percent) represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining balance of \$9,914,690 (26 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$2,113,319, accounting for 69% of the total increase in the net position of the City of Farmersville as compared to the prior fiscal year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**Condensed Statement of Activities
For the Years Ended June 30, 2017 and 2016**

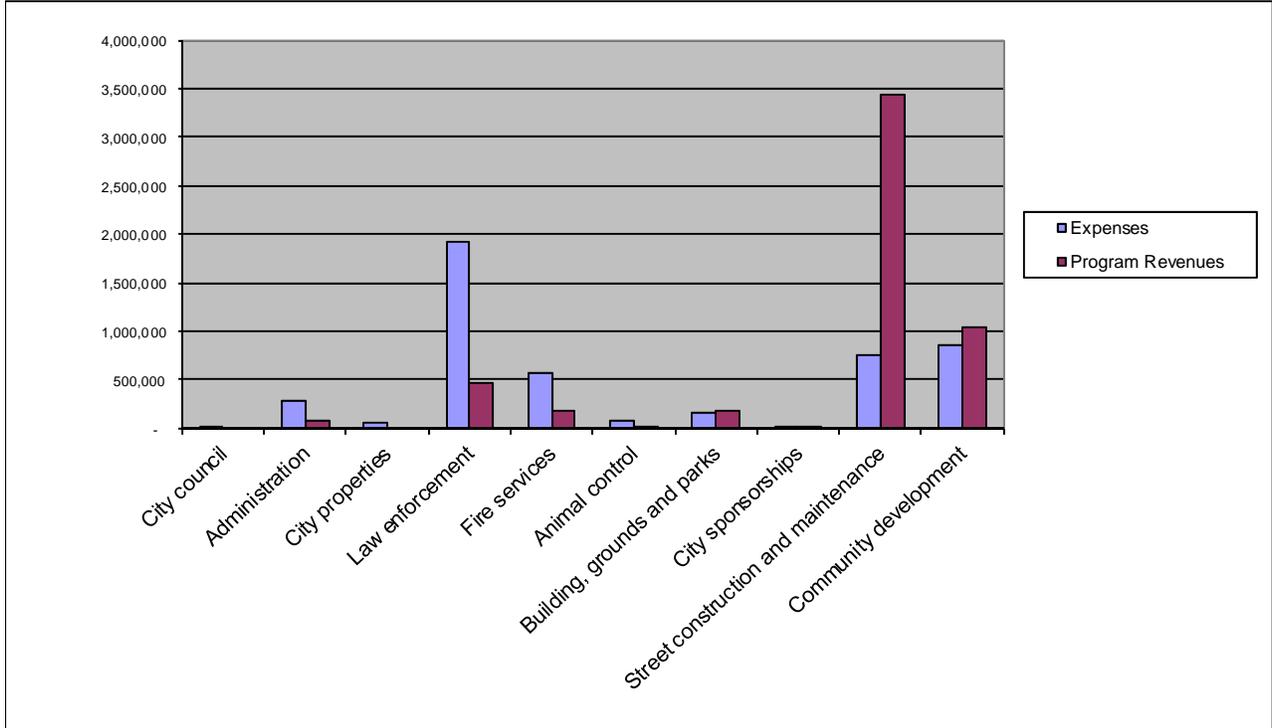
| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 301,486 | \$ 301,616 | \$ 3,213,105 | \$ 2,864,789 | \$ 3,514,591 | \$ 3,166,405 |
| Operating grants and contributions | 1,690,143 | 957,942 | 10,000 | 6,739 | 1,700,143 | 964,681 |
| Capital grants and contributions | 3,374,479 | 8,224,174 | 78,216 | 160,719 | 3,452,695 | 8,384,893 |
| General revenues: | | | | | | |
| Property taxes | 1,317,094 | 1,287,894 | - | - | 1,317,094 | 1,287,894 |
| Sales taxes | 819,790 | 696,368 | - | - | 819,790 | 696,368 |
| Franchise taxes | 117,662 | 128,000 | - | - | 117,662 | 128,000 |
| Other taxes | 9,753 | 6,811 | - | - | 9,753 | 6,811 |
| Motor vehicle in-lieu | 5,000 | 4,401 | - | - | 5,000 | 4,401 |
| Rental income | 177,112 | 174,294 | - | - | 177,112 | 174,294 |
| Earning on investments | (5,532) | 69,353 | 25,647 | 24,201 | 20,115 | 93,554 |
| Miscellaneous | 38,527 | 37,207 | 50,082 | 194 | 88,609 | 37,401 |
| Total revenues | 7,845,514 | 11,888,060 | 3,377,050 | 3,056,642 | 11,222,564 | 14,944,702 |
| Expenses: | | | | | | |
| City council | 15,756 | 5,655 | - | - | 15,756 | 5,655 |
| Administration | 282,612 | 252,667 | - | - | 282,612 | 252,667 |
| City properties | 53,318 | 29,591 | - | - | 53,318 | 29,591 |
| Public safety: | | | | | | |
| Law enforcement | 1,913,469 | 1,991,006 | - | - | 1,913,469 | 1,991,006 |
| Fire services | 576,973 | 498,979 | - | - | 576,973 | 498,979 |
| Animal control | 86,796 | 76,350 | - | - | 86,796 | 76,350 |
| Buildings, grounds and parks | 161,894 | 137,378 | - | - | 161,894 | 137,378 |
| City sponsorships | 5,700 | 6,680 | - | - | 5,700 | 6,680 |
| Street construction and maintenance | 745,432 | 496,970 | - | - | 745,432 | 496,970 |
| Community development | 854,771 | 684,878 | - | - | 854,771 | 684,878 |
| Water | - | - | 827,550 | 820,476 | 827,550 | 820,476 |
| Sewer | - | - | 893,354 | 794,228 | 893,354 | 794,228 |
| Refuse | - | - | 726,742 | 705,462 | 726,742 | 705,462 |
| Total expenses | 4,696,721 | 4,180,154 | 2,447,646 | 2,320,166 | 7,144,367 | 6,500,320 |
| Change in net position | 3,148,793 | 7,707,906 | 929,404 | 736,476 | 4,078,197 | 8,444,382 |
| Net position - beginning (restated) | 24,352,335 | 17,679,903 | 10,044,462 | 9,307,986 | 34,396,797 | 26,987,889 |
| Net position - ending | \$ 27,501,128 | \$ 25,387,809 | \$ 10,973,866 | \$ 10,044,462 | \$ 38,474,994 | \$ 35,432,271 |

Key elements of the increase/decrease in revenue for governmental activities are as follows:

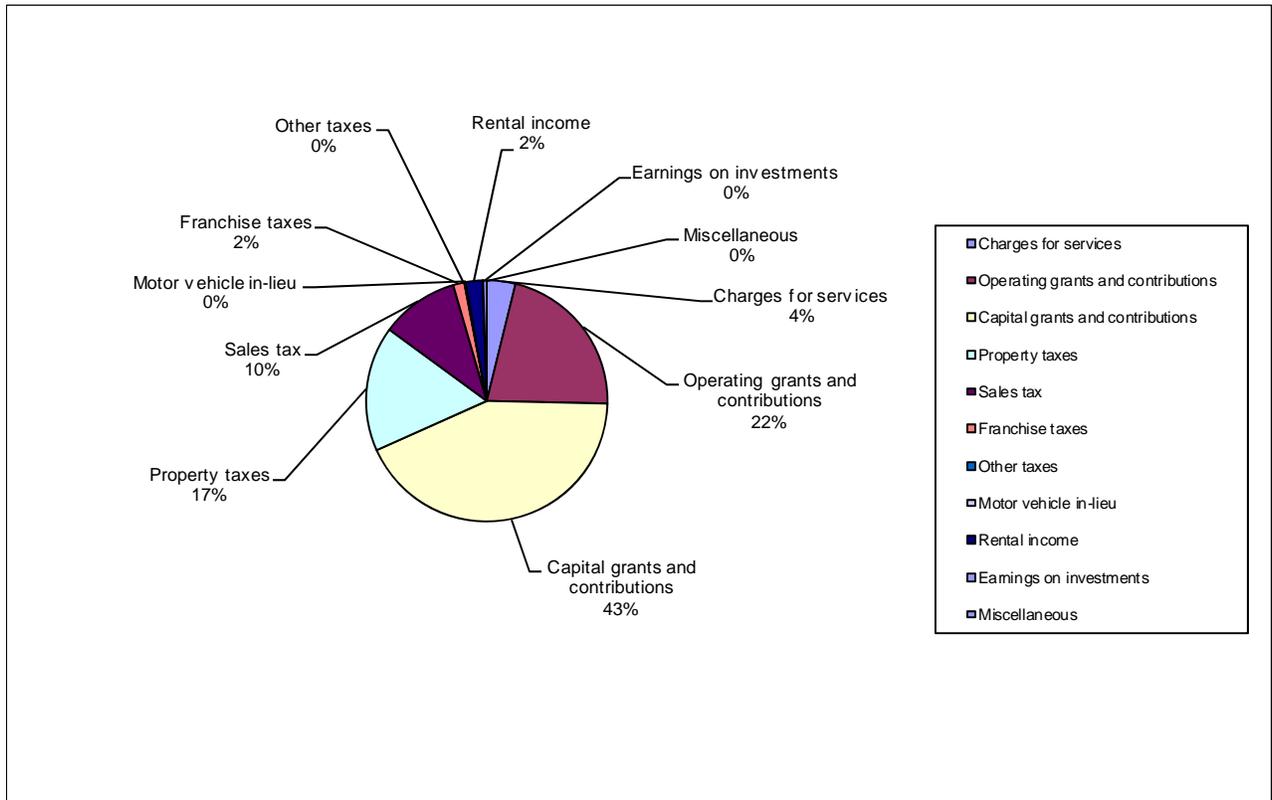
- Governmental operating grants and contributions increased \$732,201, or 76%, from the prior year to \$1,690,143. The increase is due to activity related to the Water/Energy Grant through the Greenhouse Gas Reduction Fund, which is creating water savings through conversion of drought tolerant landscaping and converting the City to radio-read water meters. Additional activity with new loans created through the 2014 CDBG grant awarded to the City for down payment assistance and home rehabilitation loans accounts for the balance of this increase.
- Governmental capital grants decreased \$4,489,695, or 59%, from the prior year to \$3,374,479. The decrease reflects significant progress toward completion, of two new roundabout intersection projects in the previous fiscal year that were primarily funded by federal and state highway grants. Additionally, the City completed most of a new Sport Park complex in the prior year that also contributes to this decrease.
- Sales tax revenues increased \$123,422, or 18%, from the prior year to \$819,790. The increase can be attributed to a jump in economic activity and the implementation of new gas taxes that increased sales in the Fuel/Services Stations category, which dominates the City's sales tax base. State and County pools have also benefited from increased purchasing and delivery options through online access points.
- Earnings on investments revenue decreased by \$74,885, or 108%, to a loss of \$5,532 due to a decline the bond market during the fiscal year ended June 30, 2017.
- All remaining revenue types displayed above are in-line with prior year revenues reported.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Key elements of the increase/decrease in expenses for governmental activities are as follows:

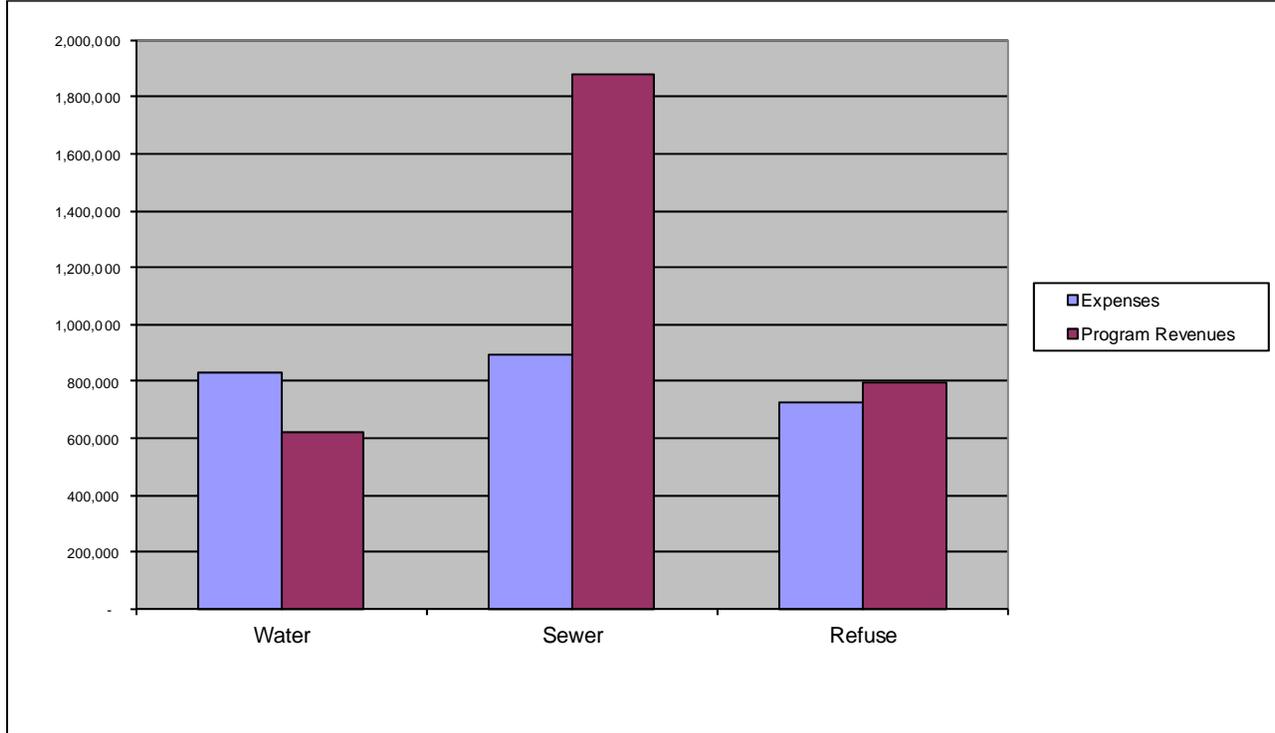
- City Council expenses increased by \$10,101, or 179%, from the prior year to \$15,576. The increase is due primarily to cost associated with the election related to the two proposed tax measures and increased activity with Council Members' attendance at conferences and seminars.
- City properties expenses increased by \$23,727, or 80%, from the prior year to \$53,318. The increase is due primarily to a reallocation of utility cost for the Community Center to this department. Additionally, program income that was eligible to be de-federalized in the prior year was applied to this department. However, there was no program income eligible for de-federalization this year.
- Law enforcement expenses decreased by \$77,537, or 4%, from the prior year to \$1,913,469. Salaries and employee benefits related to police personnel decreased during the current fiscal year, which was due primarily to the salary savings due to attrition.
- Fire service expenses increased by \$79,994, or 16%, from the prior year to \$576,973. Salaries and employee benefits related to fire personnel increase during the current fiscal year, which was due primarily to a gap in grant funding.
- Building, grounds, and parks expenses decreased by \$18,081, or 14%, from the prior year to \$114,977. This decrease is almost entirely explained by the shifting of community center utilities to a different department. While still within the General Fund, this allows for a more exact representation of the cost of operating the facility.
- Street construction and maintenance expenditures increased by \$248,462, or 50%, from the prior year to \$745,432. During the current fiscal year, the City was involved in more street construction and maintenance related to major projects and other miscellaneous expenses.
- Community development expenses increased by \$169,893, or 25%, from the prior year to \$854,771. The increase is primarily related to work with the 2014 CDBG grant, program income, and other grant development opportunities. Many of these expenses are reimbursable at the State or Federal level and are delayed by reporting processes.
- All remaining expense line items displayed above are in-line with prior year expenses reported.

Business-type activities. Business-type activities increased the City's net position by \$929,404 over the prior fiscal year. Key elements of this decrease are as follows:

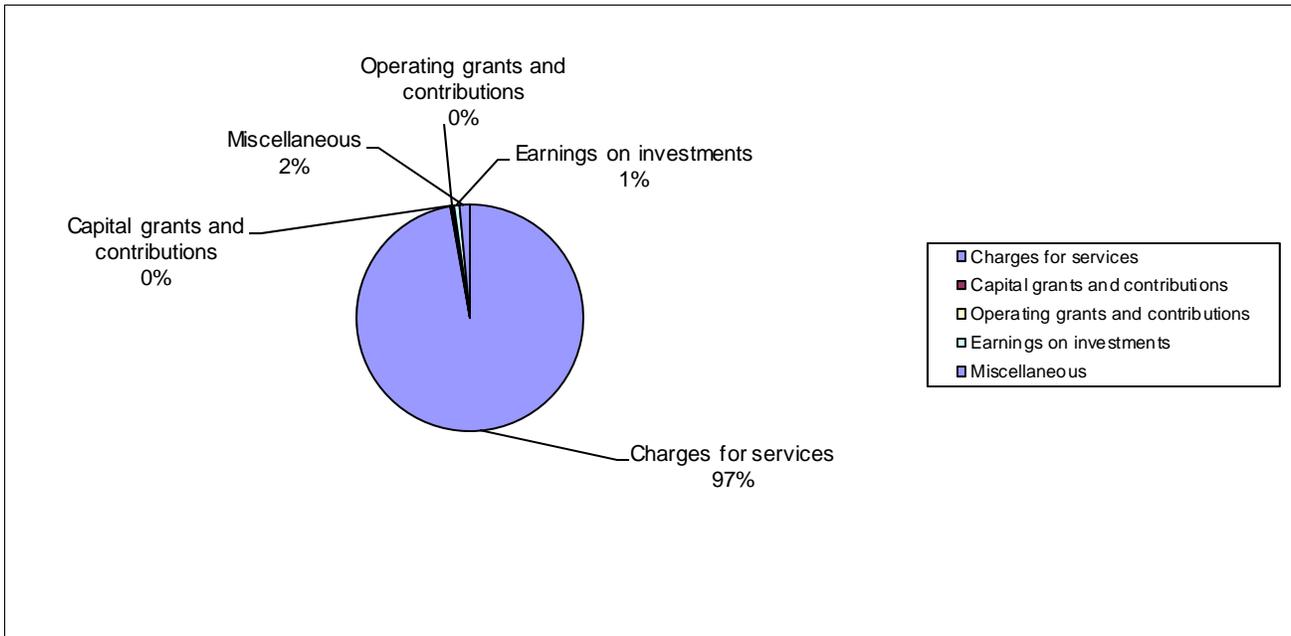
- Charges for services for the business-type activities increased by \$348,316, or 12%, from the prior year to \$3,213,187. The increase in charges for services are directly related to the final year of a scheduled 5-year ramp up in sewer utility rates to meet financing revenue requirements associated with the construction of a new wastewater treatment facility. Refuse utility rates increased during the same period (also the final year of a scheduled 5-year ramp up) to cover continued service costs passed through from the City's trash hauling contractor. Water Utility rates remained unchanged in FY 2017.
- Capital grants and developer contributions for the business-type activities decreased by \$82,503, or 51%, from the prior year to \$78,216. The substantial decrease is directly related to a reduction in building permits issued by the City during the current fiscal year. Assessments for water and sewer impact fees are calculated and paid at the time the permit is issued.
- Expenses of the Sewer Enterprise Fund increased by \$99,126, or 12%, from the prior year to \$893,354. The increase is due primarily to higher employee wage and benefit costs. Additionally, cost increased due to preliminary work regarding the new Wastewater Treatment Plant that is yet to be reimbursed from the State. Expenses were incurred related to work on a solar energy study, construction financing, and other legal requirements for the same plant that is not reimbursable from the State.
- All remaining revenue and expense line items displayed above are in-line with prior year expenses reported.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,197,680, an increase of \$257,533 in comparison to the prior year. Of this total amount, \$5,384,697 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$1,817,983 at June 30, 2017. This represents a decrease of \$136,711 from the prior year unassigned fund balance of \$1,954,694 at June 30, 2016.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$3,263,979 and the unassigned fund balance is showing a balance of \$1,812,983 at June 30, 2017.

The fund balance of the City's General Fund decreased by \$86,398 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
GENERAL FUND**

| | FY2017 | | FY2016 | | Increase/(Decrease) | |
|----------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Total |
| Property taxes | \$ 1,247,643 | 41.41% | \$ 1,215,368 | 42.02% | \$ 32,275 | 26.83% |
| Sales taxes | 819,790 | 27.21% | 696,368 | 24.07% | 123,422 | 102.61% |
| Other taxes | 137,321 | 4.56% | 146,613 | 5.07% | (9,292) | -7.73% |
| Licenses and permits | 74,857 | 2.48% | 87,298 | 3.02% | (12,441) | -10.34% |
| Charges for services | 201,425 | 6.69% | 183,453 | 6.34% | 17,972 | 14.94% |
| Intergovernmental | 328,649 | 10.91% | 301,956 | 10.44% | 26,693 | 22.19% |
| Fines and penalties | 26,693 | 0.89% | 28,665 | 0.99% | (1,972) | -1.64% |
| Investment income | (39,178) | -1.30% | 37,786 | 1.31% | (76,964) | -63.99% |
| Rent | 177,112 | 5.88% | 174,294 | 6.03% | 2,818 | 2.34% |
| Miscellaneous | 38,527 | 1.28% | 20,758 | 0.72% | 17,769 | 14.77% |
| Total | \$ 3,012,839 | 100.00% | \$ 2,892,559 | 100.00% | \$ 120,280 | 100.00% |

- Property taxes revenue increased by \$32,275, or 3%, from the prior year. Property tax revenue came in slightly higher than those amounts received in the prior fiscal year.
- Sales taxes revenue increased by \$123,422, or 18%, from the prior year. The increase can primarily be attributed to a jump in gas prices spurred by economic activity and the implementation of new gas taxes increasing revenue of Fuel/Services stations.
- Other taxes revenue decreased by \$9,292, or 6%, from the prior year. A variety of revenue sources had mixed results and the net result was a slight decrease from the amounts received in the prior fiscal year.
- Licenses and permits revenue decreased by \$12,441, or 14%, from the prior year. A dip in the amount of building and occupancy permits issued during the current fiscal year resulted in the decrease in reported revenue.
- Charges for services revenue increased by \$17,972, or 10%, from the prior year. These revenues are associated primarily with Police and Fire services and are reactionary to the demand and situations presented to the City throughout the year.
- Intergovernmental revenue increased \$26,693, or 9%, from the prior year. Several reasons explain this increase including increased contracted rates for school resource officers, increases in exchanges of revenue sources from the State with other agencies, and other miscellaneous reimbursements.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- Fines and penalties revenue decreased \$1,972, or 7%, from the prior year. These revenues are associated primarily with Police and Fire services and are reactionary to the demand and situations presented to the City throughout the year.
- Investment income decreased \$76,964, or 2%, from the prior year. The market value of the City investments continue to decline in an environment of increasing interest rates which push bond prices lower. However, the City's strategy is to hold the investments to maturity where the whole amount invested with the interest accrued will be redeemed at that time even though the market value of the investments must be booked and reported.
- Rent revenue increased \$2,818, or 2%, from the prior year. The increase is attributable to an increase in the lease rates for various properties throughout the City.
- Miscellaneous revenue increased by \$17,769, or 86%, from the prior year. The increase was due to receipt of several unrelated one-time revenues during the prior fiscal year.

The following provides an explanation of expenditures by function that changed significantly over the prior year:

**Expenditures by Function
GENERAL FUND**

| City of Farmersville | FY2017 | | FY2016 | | Increase/(Decrease) | |
|-------------------------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Total |
| | | | | | | |
| City council | \$ 15,756 | 0.48% | \$ 5,655 | 0.18% | \$ 10,101 | 7.91% |
| Administration | 248,513 | 7.61% | 206,582 | 6.59% | 41,931 | 32.85% |
| City properties | 34,111 | 1.05% | 44,456 | 1.42% | (10,345) | -8.11% |
| Law enforcement | 1,832,345 | 56.14% | 1,877,440 | 59.86% | (45,095) | -35.33% |
| Fire services | 555,614 | 17.02% | 503,953 | 16.07% | 51,661 | 40.48% |
| Animal control | 87,613 | 2.68% | 107,592 | 3.43% | (19,979) | -15.65% |
| Buildings, grounds and parks | 114,977 | 3.52% | 133,058 | 4.24% | (18,081) | -14.17% |
| City sponsorships | 5,700 | 0.17% | 6,680 | 0.21% | (980) | -0.77% |
| Street construction and maintenance | 6,329 | 0.19% | 7,528 | 0.24% | (1,199) | -0.94% |
| Community development | 183,009 | 5.61% | 220,968 | 7.05% | (37,959) | -29.74% |
| Capital outlay | 180,012 | 5.52% | 22,441 | 0.72% | 157,571 | 123.46% |
| Total | \$ 3,263,979 | 100.00% | \$ 3,136,353 | 100.00% | \$ 127,626 | 100.00% |

- City council expenditures increased by \$10,101, or 179%, from the prior year. The increase is due primarily to cost associated with the election related to the two proposed tax measures and increased activity with Council Members' attendance at conferences and seminars.
- Administration expenditures increased by \$41,931, 20%, from the prior year. The increase in expenditures were due to rising costs with legal counsel, printing equipment and operation costs, and liability insurance premiums.
- City properties expenditures increased by \$10,345, or 23%, from the prior year. The increase in expenditures were due to a reallocation of utility costs to this department, and some increases in maintenance costs overall.
- Law enforcement expenditures decreased by \$45,095, or 2%, from the previous year. Salaries and employee benefits related to police personnel decreased during the current fiscal year, which was due primarily to the salary savings due to attrition despite some spikes in cost associated with vacancies.
- Fire services expenditures increased by \$51,661, or 10%, from the prior year. Most of this increase is related to growing costs with salary and benefits in the Fire Department. Growth of the volunteer company also has expanded cost implications but is minor compared to salary cost increases.
- Animal control expenditures decreased by \$19,979, or 19%, from the prior year. A new vehicle was purchased in the prior year that inflated the actual figures for the year. This decrease is a return to normal levels.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- Buildings, grounds, and parks expenditures decreased by \$18,081, or 14%, from the prior year. This decrease is almost entirely explained by the shifting of community center utilities to a different department. While still within the General Fund, this allows for a more exact representation of the cost of operating the facility.
- City sponsorship expenditures decreased by \$980, or 15%, from the prior year. The City Council decided to decrease the level of funding for community groups within the current year.
- Street construction and maintenance expenditures decreased by \$1,199, or 16%, from the prior year. Expenditures were consistent with prior year.
- Community development expenditures decreased by \$37,959, or 17%, from the prior year. Expenditures decreases as a result of responding to one-time grant opportunities as they arise. If there are more or less opportunities the costs will reflect this directly for the period.
- Capital outlay expenditures for the current fiscal year consisted of the purchase of various equipment throughout the departments in the General Fund and is consistent with prior years.

Governmental Major Funds

The Federal and State Grants Special Revenue Fund has a total fund balance of \$11,514, all of which was restricted to community development. The net decrease in fund balance during the current year was \$34,196 due to expenses related to grant expenditures incurred but not yet reimbursed from the State. It is common to experience a lag in reimbursement that carries over fiscal years.

The Street Tax Special Revenue Fund has a total fund balance of \$4,212,625, all of which is restricted to street construction and maintenance. The net increase in fund balance during the current fiscal year was \$214,768. Several of the City's road projects during the prior fiscal year did not receive federal or state grant funding to offset the project cost until the current year. Consequently, in addition to current year Measure R revenue, reimbursement from these prior year expenses was also received and applied to the currently year increasing the fund balance from local, State and Federal revenues sources.

The CDBG Program Income Special Revenue Fund has no fund balance at the end of the fiscal year. The net fund balance decreased by \$969 during the current fiscal year because program income is monitored closely and applied to current expenses immediately. This change in practice is due to the State policy change that dictates that all program income revenue be used before any grant funds can be used. In order to meet grant deadlines the City must apply program income revenues to eligible expenses as soon as possible.

The Low and Moderate Income Special Revenue Fund has a total fund balance of \$32,280, all of which is restricted to community development. The net fund balance increased by \$139 during the current fiscal year due to interest earnings and a miscellaneous receipt. The fund did not commence or enter into any new housing projects with local developers during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of Government-Wide Financial Analysis of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$117,181 lower than the final budgetary appropriations. This variance is explained primarily by the attrition of several employees throughout the year. Large compensated absence payouts at the time of separation, salary savings while the position is not filled, and the resulting shifts and promotions within the City afterward, cause this budgetary amount to be difficult to budget. Reduced revenues overall and some other administrative cost savings contributed to this variance as well.

During the year, actual revenues were \$51,346 lower than the final budgetary estimates. The revenue variance is due primarily to higher than projected business license and rental license income, increased sales tax revenue. These increases were also partially offset by a delayed payment in a revenue exchange agreement with the City of Visalia. The payment was subsequently received later in the next fiscal year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets. The City's investment in capital assets of its governmental and business-type activities as of June 30, 2017, amounts to \$25,203,837 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure in progress, building and improvements, vehicles, machinery, equipment, infrastructure, and utility transmission structures. The total increase in the City's investments in capital assets for the current year is approximately 11 percent.

City of Farmersville's Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|------------------------------------|-----------------------------|-------------------------------------|----------------------------|-----------------------------|-----------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 1,369,605 | \$ 1,369,605 | \$ 953,935 | \$ 953,935 | \$ 2,323,540 | \$ 2,323,540 |
| Infrastructure in progress | 9,955,950 | 8,008,452 | 1,887,124 | 1,849,101 | 11,843,074 | 9,857,553 |
| Building and improvements | 2,509,072 | 2,509,072 | 152,061 | 152,061 | 2,661,133 | 2,661,133 |
| Vehicles, machinery and equipment | 2,482,001 | 2,408,528 | 1,298,765 | 1,251,639 | 3,780,766 | 3,660,167 |
| Infrastructure | 7,058,867 | 6,109,347 | - | - | 7,058,867 | 6,109,347 |
| Utility transmission structures | - | - | 6,465,593 | 6,465,593 | 6,465,593 | 6,465,593 |
| Less: Accumulated Depreciation | (4,763,154) | (4,448,014) | (4,165,982) | (3,946,600) | (8,929,136) | (8,394,614) |
| Total | <u>\$ 18,612,341</u> | <u>\$ 15,956,990</u> | <u>\$ 6,591,496</u> | <u>\$ 6,725,729</u> | <u>\$ 25,203,837</u> | <u>\$ 22,682,719</u> |

This year's additions included:

| | |
|--|---------------------|
| ▪ Continued work on Roundabout project | \$ 425,684 |
| ▪ Continued work on Water-Energy project | 104,980 |
| ▪ Improvements made to S. Farmersville Blvd | 553,476 |
| ▪ Improvements made to W. Walnut Ave | 36,976 |
| ▪ Improvements made to N. Farmersville Blvd | 11,170 |
| ▪ Widening of Visalia Road | 1,637,444 |
| ▪ Continued work on Sports Park Phase 2 | 127,289 |
| ▪ Acquisition of police vehicles | 137,902 |
| ▪ Completion of Sports Park Phase 1 | 949,520 |
| ▪ Continued work on the Wastewater Treatment Plant | 38,023 |
| ▪ Purchase of new Public Works Trucks | 47,126 |
| | <u>\$ 4,069,590</u> |

For further information, see Note 5 of the financial statements on pages 47 through 48 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,265,016. Of this amount, \$1,632,152 is the liability of governmental activities and \$1,632,864 is the liability of business-type activities.

City of Farmersville's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------|------------------------------------|----------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Loans payable | \$ - | \$ - | \$ 1,125,000 | \$ 1,125,000 | \$ 1,125,000 | \$ 1,125,000 |
| Capital leases payable | 132,000 | - | - | - | 132,000 | - |
| Compensated Absences | 710,547 | 678,889 | 94,891 | 92,273 | 805,438 | 771,162 |
| Net pension liability | 789,605 | 552,104 | 412,973 | 343,657 | 1,202,578 | 895,761 |
| Total | <u>\$ 1,632,152</u> | <u>\$ 1,230,993</u> | <u>\$ 1,632,864</u> | <u>\$ 1,560,930</u> | <u>\$ 3,265,016</u> | <u>\$ 2,791,923</u> |

Additional information on the City's long-term debt can be found in Note 8 of the financial statements on page 49 of this report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS AND RATES

In preparing the budget for the next fiscal year, the following factors were taken into consideration:

- No employee salary adjustments for the current year.
- Health care adjustments of less than 10.0 percent.
- New Tier of reduced employee salary and benefits in effect.
- Increases in intergovernmental revenue to be received on various programs from the State of California.
- Property tax revenue and sales tax increase due to additions of new retailers in the City and general economic growth including rising gas prices.
- The State projects that there will likely be an economic recession of some extent.
- Increased volatility in gas prices.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the City's finances for those with an interest in this area. Any questions concerning the information found in this report or requests for additional information should be directed to the Director of Finance and Administration, City of Farmersville, 909 W. Visalia Rd., Farmersville, CA 93223.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
JUNE 30, 2017**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 6,773,858 | \$ 5,051,461 | \$ 11,825,319 |
| Receivables (net of allowance for uncollectibles): | | | |
| Consumer | - | 272,765 | 272,765 |
| Intergovernmental | 2,885,849 | - | 2,885,849 |
| Other | 13,973 | - | 13,973 |
| Due from the Successor Agency | 220,011 | - | 220,011 |
| Prepaid expenses | 14,803 | 13,932 | 28,735 |
| Loans receivable | 2,742,168 | - | 2,742,168 |
| Restricted assets: | | | |
| Cash and investments | - | 535,000 | 535,000 |
| Capital assets (net) | <u>18,612,341</u> | <u>6,591,496</u> | <u>25,203,837</u> |
| Total assets | <u>31,263,003</u> | <u>12,464,654</u> | <u>43,727,657</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows from pensions | <u>681,211</u> | <u>250,749</u> | <u>931,960</u> |
| Total deferred outflows of resources | <u>681,211</u> | <u>250,749</u> | <u>931,960</u> |
| LIABILITIES | | | |
| Accounts payable | 525,243 | 66,918 | 592,161 |
| Salaries and benefits payable | 14,927 | 4,714 | 19,641 |
| Retainage payable | 102,279 | - | 102,279 |
| Due to other governments | 2,067,443 | - | 2,067,443 |
| Deposits | 150 | - | 150 |
| Unearned revenue | 772 | - | 772 |
| Long-term liabilities | | | |
| Portion due or payable within one year: | | | |
| Compensated absences | 142,112 | 18,978 | 161,090 |
| Loans payable | - | 1,125,000 | 1,125,000 |
| Capital leases payable | 42,778 | - | 42,778 |
| Portion due or payable after one year: | | | |
| Compensated absences | 568,435 | 75,913 | 644,348 |
| Capital leases payable | 89,222 | - | 89,222 |
| Net pension liability | <u>789,605</u> | <u>412,973</u> | <u>1,202,578</u> |
| Total liabilities | <u>4,342,966</u> | <u>1,704,496</u> | <u>6,047,462</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows from pensions | <u>100,120</u> | <u>37,041</u> | <u>137,161</u> |
| Total deferred inflows of resources | <u>100,120</u> | <u>37,041</u> | <u>137,161</u> |
| NET POSITION | | | |
| Net investment in capital assets | 18,480,341 | 5,466,496 | 23,946,837 |
| Restricted for: | | | |
| Debt service | - | 535,000 | 535,000 |
| Public safety | 198,841 | - | 198,841 |
| Capital projects | 4,212,625 | 1,491,034 | 5,703,659 |
| Community development | 2,893,839 | - | 2,893,839 |
| Capital maintenance | 583,351 | - | 583,351 |
| Unrestricted | <u>1,132,131</u> | <u>3,481,336</u> | <u>4,613,467</u> |
| Total net position | <u>\$ 27,501,128</u> | <u>\$ 10,973,866</u> | <u>\$ 38,474,994</u> |

CITY OF FARMERSVILLE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Program Revenues | | | |
|-------------------------------------|---------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| City council | \$ 15,756 | \$ - | \$ - | \$ - |
| Administration | 282,612 | 68,028 | - | - |
| City properties | 53,318 | - | - | - |
| Public safety: | | | | |
| Law enforcement | 1,913,469 | 204,573 | 242,047 | 14,628 |
| Fire services | 576,973 | 5,128 | 144,616 | 23,592 |
| Animal control | 86,796 | 835 | - | - |
| Building, grounds and parks | 161,894 | - | - | 181,526 |
| City sponsorships | 5,700 | 2,400 | - | - |
| Street construction and maintenance | 745,432 | - | 291,861 | 3,154,733 |
| Community development | <u>854,771</u> | <u>20,522</u> | <u>1,011,619</u> | <u>-</u> |
| Total governmental activities | <u>4,696,721</u> | <u>301,486</u> | <u>1,690,143</u> | <u>3,374,479</u> |
| Business-Type Activities: | | | | |
| Water | 827,550 | 591,952 | - | 31,680 |
| Sewer | 893,354 | 1,834,679 | - | 46,536 |
| Refuse | <u>726,742</u> | <u>786,474</u> | <u>10,000</u> | <u>-</u> |
| Total business-type activities | <u>2,447,646</u> | <u>3,213,105</u> | <u>10,000</u> | <u>78,216</u> |
| Total City of Farmersville | <u>\$ 7,144,367</u> | <u>\$ 3,514,591</u> | <u>\$ 1,700,143</u> | <u>\$ 3,452,695</u> |

General revenues:

Taxes:

 Property taxes

 Sales taxes

 Franchise taxes

 Other taxes

Motor vehicle in-lieu

Rental income

Earnings on investments

Miscellaneous

Total general revenues

Changes in net position

Net position - beginning (as restated)

Net position - ending

Net (Expense) Revenue and
Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (15,756) | \$ - | \$ (15,756) |
| (214,584) | - | (214,584) |
| (53,318) | - | (53,318) |
| (1,452,221) | - | (1,452,221) |
| (403,637) | - | (403,637) |
| (85,961) | - | (85,961) |
| 19,632 | - | 19,632 |
| (3,300) | - | (3,300) |
| 2,701,162 | - | 2,701,162 |
| <u>177,370</u> | <u>-</u> | <u>177,370</u> |
| <u>669,387</u> | <u>-</u> | <u>669,387</u> |
| - | (203,918) | (203,918) |
| - | 987,861 | 987,861 |
| <u>-</u> | <u>69,732</u> | <u>69,732</u> |
| <u>-</u> | <u>853,675</u> | <u>853,675</u> |
| <u>669,387</u> | <u>853,675</u> | <u>1,523,062</u> |
| 1,317,094 | - | 1,317,094 |
| 819,790 | - | 819,790 |
| 117,662 | - | 117,662 |
| 9,753 | - | 9,753 |
| 5,000 | - | 5,000 |
| 177,112 | - | 177,112 |
| (5,532) | 25,647 | 20,115 |
| <u>38,527</u> | <u>50,082</u> | <u>88,609</u> |
| <u>2,479,406</u> | <u>75,729</u> | <u>2,555,135</u> |
| 3,148,793 | 929,404 | 4,078,197 |
| <u>24,352,335</u> | <u>10,044,462</u> | <u>34,396,797</u> |
| <u>\$ 27,501,128</u> | <u>\$ 10,973,866</u> | <u>\$ 38,474,994</u> |

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FUND FINANCIAL STATEMENTS

CITY OF FARMERSVILLE

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | General | Federal and State Grants Special Revenue Fund | Street Tax Special Revenue Fund |
|--|---------------------|---|---------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,348,778 | \$ - | \$ 4,516,693 |
| Receivables (net of allowance for uncollectibles): | | | |
| Intergovernmental | 354,238 | 311,933 | 2,071,659 |
| Other | 13,973 | - | - |
| Due from other funds | 147,370 | - | - |
| Due from the Successor Agency | 220,011 | - | - |
| Prepaid expenses | 14,803 | - | - |
| Loans receivable | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 2,099,173</u> | <u>\$ 311,933</u> | <u>\$ 6,588,352</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 33,672 | \$ 236,233 | \$ 215,381 |
| Salaries and benefits payable | 13,387 | - | 849 |
| Retainage payable | - | 10,225 | 92,054 |
| Due to other governments | - | - | 2,067,443 |
| Deposits | 150 | - | - |
| Due to other funds | - | 53,961 | - |
| Unearned revenue | <u>772</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>47,981</u> | <u>300,419</u> | <u>2,375,727</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid expenses | 14,803 | - | - |
| Restricted for: | | | |
| Public safety | - | - | - |
| Capital projects | - | - | 4,212,625 |
| Community development | - | 11,514 | - |
| Capital maintenance | - | - | - |
| Committed to: | | | |
| Subsequent fiscal year budget deficit | 68,406 | - | - |
| Assigned to: | | | |
| General government | 150,000 | - | - |
| Unassigned | <u>1,817,983</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>2,051,192</u> | <u>11,514</u> | <u>4,212,625</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,099,173</u> | <u>\$ 311,933</u> | <u>\$ 6,588,352</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 |
|---|---|--------------------------------|--------------------------------|
| \$ - | \$ 32,280 | \$ 876,107 | \$ 6,773,858 |
| - | - | 148,019 | 2,885,849 |
| - | - | - | 13,973 |
| - | - | - | 147,370 |
| - | - | - | 220,011 |
| - | - | - | 14,803 |
| <u>2,091,203</u> | <u>650,965</u> | <u>-</u> | <u>2,742,168</u> |
| <u>\$ 2,091,203</u> | <u>\$ 683,245</u> | <u>\$ 1,024,126</u> | <u>\$ 12,798,032</u> |
| \$ - | \$ - | \$ 39,957 | \$ 525,243 |
| - | - | 691 | 14,927 |
| - | - | - | 102,279 |
| - | - | - | 2,067,443 |
| - | - | - | 150 |
| - | - | 93,409 | 147,370 |
| - | - | - | 772 |
| - | - | <u>134,057</u> | <u>2,858,184</u> |
| <u>2,091,203</u> | <u>650,965</u> | <u>-</u> | <u>2,742,168</u> |
| <u>2,091,203</u> | <u>650,965</u> | <u>-</u> | <u>2,742,168</u> |
| - | - | - | 14,803 |
| - | - | 198,841 | 198,841 |
| - | - | - | 4,212,625 |
| - | 32,280 | 107,877 | 151,671 |
| - | - | 583,351 | 583,351 |
| - | - | - | 68,406 |
| - | - | - | 150,000 |
| - | - | - | <u>1,817,983</u> |
| - | <u>32,280</u> | <u>890,069</u> | <u>7,197,680</u> |
| <u>\$ 2,091,203</u> | <u>\$ 683,245</u> | <u>\$ 1,024,126</u> | <u>\$ 12,798,032</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, 2017**

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

| | |
|--|----------------------|
| Total fund balances - governmental funds | \$ 7,197,680 |
| 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 \$23,375,495 and the accumulated depreciation is \$4,763,154. | 18,612,341 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 2,742,168 |
| Pension related deferrals are reported as deferred outflows and inflows of resources. | 581,091 |
| 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: | |
| Capital leases payable | (132,000) |
| Compensated absences | (710,547) |
| Net pension liability | <u>(789,605)</u> |
| Total long-term liabilities | <u>(1,632,152)</u> |
| Net position of governmental activities | <u>\$ 27,501,128</u> |

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>General</u> | <u>Federal and State Grants Special Revenue Fund</u> | <u>Street Tax Special Revenue Fund</u> |
|--|-------------------------|--|--|
| REVENUES | | | |
| Property taxes | \$ 1,247,643 | \$ - | \$ - |
| Sales taxes | 819,790 | - | - |
| Other taxes | 137,321 | - | - |
| Licenses and permits | 74,857 | - | - |
| Developer fees | - | - | - |
| Charges for services | 201,425 | - | - |
| Intergovernmental | 328,649 | 893,750 | 3,357,630 |
| Fines and penalties | 26,693 | - | - |
| Investment income | (39,178) | - | 26,815 |
| Loan repayments | - | - | - |
| Rent | 177,112 | - | - |
| Miscellaneous revenues | <u>38,527</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>3,012,839</u> | <u>893,750</u> | <u>3,384,445</u> |
| EXPENDITURES | | | |
| Current: | | | |
| City council | 15,756 | - | - |
| Administration | 248,513 | - | - |
| City properties | 34,111 | - | - |
| Public safety: | | | |
| Law enforcement | 1,832,345 | - | - |
| Fire services | 555,614 | - | - |
| Animal control | 87,613 | - | - |
| Buildings, grounds and parks | 114,977 | - | - |
| City sponsorships | 5,700 | - | - |
| Street construction and maintenance | 6,329 | - | 365,632 |
| Community development | 183,009 | 919,225 | - |
| Capital outlay | <u>180,012</u> | <u>8,721</u> | <u>2,804,045</u> |
| Total expenditures | <u>3,263,979</u> | <u>927,946</u> | <u>3,169,677</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(251,140)</u> | <u>(34,196)</u> | <u>214,768</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds of capital lease | 132,000 | - | - |
| Transfers in | 32,742 | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>164,742</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (86,398) | (34,196) | 214,768 |
| Fund balances - beginning (as restated) | <u>2,137,590</u> | <u>45,710</u> | <u>3,997,857</u> |
| Fund balances - ending | <u>\$ 2,051,192</u> | <u>\$ 11,514</u> | <u>\$ 4,212,625</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 |
|---|--|--------------------------------|--------------------------------|
| \$ - | \$ - | \$ 59,545 | \$ 1,307,188 |
| - | - | - | 819,790 |
| - | - | - | 137,321 |
| - | - | - | 74,857 |
| - | - | 51,540 | 51,540 |
| - | - | - | 201,425 |
| 34,480 | - | 405,972 | 5,020,481 |
| - | - | - | 26,693 |
| 95 | - | 3,736 | (8,532) |
| - | 139 | - | 139 |
| - | - | - | 177,112 |
| - | - | - | 38,527 |
| <u>34,575</u> | <u>139</u> | <u>520,793</u> | <u>7,846,541</u> |
| - | - | - | 15,756 |
| - | - | - | 248,513 |
| - | - | - | 34,111 |
| - | - | 109,413 | 1,941,758 |
| - | - | 13,872 | 569,486 |
| - | - | - | 87,613 |
| - | - | 57,960 | 172,937 |
| - | - | - | 5,700 |
| - | - | 71,975 | 443,936 |
| 2,802 | - | 29,391 | 1,134,427 |
| - | - | 73,993 | 3,066,771 |
| <u>2,802</u> | <u>-</u> | <u>356,604</u> | <u>7,721,008</u> |
| <u>31,773</u> | <u>139</u> | <u>164,189</u> | <u>125,533</u> |
| - | - | - | 132,000 |
| - | - | - | 32,742 |
| <u>(32,742)</u> | <u>-</u> | <u>-</u> | <u>(32,742)</u> |
| <u>(32,742)</u> | <u>-</u> | <u>-</u> | <u>132,000</u> |
| (969) | 139 | 164,189 | 257,533 |
| <u>969</u> | <u>32,141</u> | <u>725,880</u> | <u>6,940,147</u> |
| <u>\$ -</u> | <u>\$ 32,280</u> | <u>\$ 890,069</u> | <u>\$ 7,197,680</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, 2017**

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 257,533 |
| <p>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:</p> | |
| Capital expenditures | 3,034,921 |
| Depreciation expense | (379,570) |
| <p>The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure.</p> | |
| Proceeds from capital leases payable | (132,000) |
| <p>Changes to compensated absences 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.</p> | |
| | (31,655) |
| <p>Repayments of long-term loan receivables are not recognized as revenues in the statement of activities.</p> | |
| | 232,080 |
| <p>Certain long-term loans provided to borrowers and related payments received are not recognized as expenses and revenues, respectively, in the statement of activities.</p> | |
| | (38,180) |
| <p>Changes to net pension liability and pension related deferred inflows and outflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p> | |
| | <u>205,664</u> |
| Change in net position of governmental activities | <u>\$ 3,148,793</u> |

CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

| | <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 | \$ 1,425,421 | \$ 3,392,795 | \$ 233,245 | \$ 5,051,461 |
| Consumer receivables (net of allowance) | 65,130 | 158,946 | 48,689 | 272,765 |
| Prepaid expenses | <u>6,966</u> | <u>6,966</u> | <u>-</u> | <u>13,932</u> |
| Total current assets | <u>1,497,517</u> | <u>3,558,707</u> | <u>281,934</u> | <u>5,338,158</u> |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 535,000 | - | 535,000 |
| Capital assets (net) | <u>2,110,262</u> | <u>4,481,234</u> | <u>-</u> | <u>6,591,496</u> |
| Total noncurrent assets | <u>2,110,262</u> | <u>5,016,234</u> | <u>-</u> | <u>7,126,496</u> |
| Total assets | <u>3,607,779</u> | <u>8,574,941</u> | <u>281,934</u> | <u>12,464,654</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows from pensions | <u>99,708</u> | <u>125,759</u> | <u>25,282</u> | <u>250,749</u> |
| Total deferred outflows of resources | <u>99,708</u> | <u>125,759</u> | <u>25,282</u> | <u>250,749</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 19,806 | 9,812 | 37,300 | 66,918 |
| Salaries and benefits payable | 1,932 | 2,251 | 531 | 4,714 |
| Compensated absences | 7,711 | 9,348 | 1,919 | 18,978 |
| Loans payable | <u>-</u> | <u>1,125,000</u> | <u>-</u> | <u>1,125,000</u> |
| Total current liabilities | <u>29,449</u> | <u>1,146,411</u> | <u>39,750</u> | <u>1,215,610</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 30,843 | 37,394 | 7,676 | 75,913 |
| Net pension liability | <u>164,244</u> | <u>207,425</u> | <u>41,304</u> | <u>412,973</u> |
| Total noncurrent liabilities | <u>195,087</u> | <u>244,819</u> | <u>48,980</u> | <u>488,886</u> |
| Total liabilities | <u>224,536</u> | <u>1,391,230</u> | <u>88,730</u> | <u>1,704,496</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows from pensions | <u>14,731</u> | <u>18,584</u> | <u>3,726</u> | <u>37,041</u> |
| Total deferred inflows of resources | <u>14,731</u> | <u>18,584</u> | <u>3,726</u> | <u>37,041</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 2,110,262 | 3,356,234 | - | 5,466,496 |
| Restricted for: | | | | |
| Debt service | - | 535,000 | - | 535,000 |
| Capital projects | 609,280 | 881,754 | - | 1,491,034 |
| Unrestricted | <u>748,678</u> | <u>2,517,898</u> | <u>214,760</u> | <u>3,481,336</u> |
| Total net position | <u>\$ 3,468,220</u> | <u>\$ 7,290,886</u> | <u>\$ 214,760</u> | <u>\$ 10,973,866</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, 2017**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------------|--------------------|----------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Refuse Fund</u> | <u>Total</u> |
| Operating Revenues: | | | | |
| Charges for services | <u>\$ 592,034</u> | <u>\$ 1,834,679</u> | <u>\$ 786,474</u> | <u>\$ 3,213,187</u> |
| Operating Expenses: | | | | |
| Personnel costs | 310,077 | 398,779 | 76,146 | 785,002 |
| Utilities | 98,770 | 40,818 | - | 139,588 |
| Contractual services | 62,752 | 113,146 | 606,832 | 782,730 |
| Franchise payments | 10,750 | 12,500 | 34,338 | 57,588 |
| Operations and maintenance | 207,880 | 207,077 | 535 | 415,492 |
| Provision for bad debts | 3,986 | 12,773 | 8,891 | 25,650 |
| Depreciation | <u>133,335</u> | <u>86,047</u> | <u>-</u> | <u>219,382</u> |
| Total operating expenses | <u>827,550</u> | <u>871,140</u> | <u>726,742</u> | <u>2,425,432</u> |
| Operating income (loss) | <u>(235,516)</u> | <u>963,539</u> | <u>59,732</u> | <u>787,755</u> |
| Nonoperating Revenue (Expenses): | | | | |
| Connection fees | 31,680 | 38,532 | - | 70,212 |
| Developer fees | - | 8,004 | - | 8,004 |
| Grant revenue | - | - | 10,000 | 10,000 |
| Investment income | 8,335 | 16,082 | 1,230 | 25,647 |
| Interest expense | - | (22,214) | - | (22,214) |
| Miscellaneous revenue | <u>-</u> | <u>-</u> | <u>50,000</u> | <u>50,000</u> |
| Total nonoperating revenues (expenses) | <u>40,015</u> | <u>40,404</u> | <u>61,230</u> | <u>141,649</u> |
| Change in net position | (195,501) | 1,003,943 | 120,962 | 929,404 |
| Net position - beginning | <u>3,663,721</u> | <u>6,286,943</u> | <u>93,798</u> | <u>10,044,462</u> |
| Net position - ending | <u>\$ 3,468,220</u> | <u>\$ 7,290,886</u> | <u>\$ 214,760</u> | <u>\$ 10,973,866</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, 2017**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|--------------|-------------|--------------|
| | Water Fund | Sewer Fund | Refuse Fund | Total |
| Cash Flows from Operating Activities | | | | |
| Cash received from customers | \$ 567,848 | \$ 1,816,133 | \$ 786,325 | \$ 3,170,306 |
| Cash payments to employees | (344,216) | (448,124) | (90,530) | (882,870) |
| Cash payments to suppliers | (383,457) | (394,862) | (636,940) | (1,415,259) |
| Net cash provided by (used in) operating activities | (159,825) | 973,147 | 58,855 | 872,177 |
| Cash Flows from Noncapital and Related Financing Activities | | | | |
| Cash received from grants | - | - | 10,000 | 10,000 |
| Net cash provided by (used in) noncapital and related financing activities | - | - | 10,000 | 10,000 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Cash received from connection fees | 31,680 | 38,532 | - | 70,212 |
| Cash received from developer fees | - | 8,004 | - | 8,004 |
| Other nonoperating cash receipts | - | - | 50,000 | 50,000 |
| Acquisition of capital assets | - | (85,149) | - | (85,149) |
| Interest paid on long-term debt | - | (22,214) | - | (22,214) |
| Net cash provided by (used in) capital and related financing activities | 31,680 | (60,827) | 50,000 | 20,853 |
| Cash Flows from Investing Activities | | | | |
| Interest on investments | 8,335 | 16,082 | 1,230 | 25,647 |
| Net cash provided by (used in) investing activities | 8,335 | 16,082 | 1,230 | 25,647 |
| Net increase (decrease) in cash and cash equivalents | (119,810) | 928,402 | 120,085 | 928,677 |
| Cash and cash equivalents, July 1, 2016 | 1,545,231 | 2,999,393 | 113,160 | 4,657,784 |
| Cash and cash equivalents, June 30, 2017 | \$ 1,425,421 | \$ 3,927,795 | \$ 233,245 | \$ 5,586,461 |

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities**

| | | | | |
|---|--------------|------------|-----------|------------|
| Operating income (loss) | \$ (235,516) | \$ 963,539 | \$ 59,732 | \$ 787,755 |
| <i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i> | | | | |
| Depreciation | 133,335 | 86,047 | - | 219,382 |
| Bad debt expense | 3,986 | 12,773 | 8,891 | 25,650 |
| <i>Change in Assets and Liabilities:</i> | | | | |
| (Increase) decrease in consumer receivables | (24,186) | (18,546) | (149) | (42,881) |
| (Increase) decrease in pension related deferred outflows of resources | (57,740) | (74,369) | (12,999) | (145,108) |
| Increase (decrease) in accounts payable | (3,305) | (21,321) | 4,765 | (19,861) |
| Increase (decrease) in salaries and benefits payable | 59 | (96) | 29 | (8) |
| Increase (decrease) in compensated absences | 5,762 | (4,144) | 1,000 | 2,618 |
| Increase (decrease) in net pension liability | 27,593 | 40,639 | 1,084 | 69,316 |
| Increase (decrease) in pension related deferred inflows of resources | (9,813) | (11,375) | (3,498) | (24,686) |
| Net cash provided by (used in) operating activities | \$ (159,825) | \$ 973,147 | \$ 58,855 | \$ 872,177 |

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, 2017**

| | <u>Successor Agency Trust Fund</u> | <u>Agency Funds</u> |
|--|--|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 59,546 |
| Cash and cash equivalents - restricted | 219,000 | - |
| Accounts receivable | - | 703 |
| Capital assets (net) | <u>3,712,412</u> | <u>-</u> |
| Total assets | <u>3,931,412</u> | <u>60,249</u> |
| LIABILITIES | | |
| Due to the General Fund | 220,011 | - |
| Accounts payable | - | 319 |
| Due to other agencies | - | 308 |
| Customer deposits | - | 59,622 |
| Interest payable | 20,302 | - |
| Loan payable - current | 120,255 | - |
| Loan payable | <u>1,909,922</u> | <u>-</u> |
| Total liabilities | <u>2,270,490</u> | <u>\$ 60,249</u> |
| NET POSITION | | |
| Net position held in trust for redevelopment dissolution and other purposes | <u>\$ 1,660,922</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, 2017**

| | <u>Successor Agency Trust Fund</u> |
|--------------------------|--|
| ADDITIONS | |
| Property taxes | \$ <u>198,698</u> |
| Total additions | <u>198,698</u> |
| DEDUCTIONS | |
| Debt payment - interest | 83,497 |
| Depreciation | <u>143,594</u> |
| Total deductions | <u>227,091</u> |
| Change in net position | (28,393) |
| Net position - beginning | <u>1,689,315</u> |
| Net position - ending | <u>\$ <u>1,660,922</u></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, 2017

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

Management’s Discussion and Analysis – GASB Statement No. 34 requires that the financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

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, 2017**

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.

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, 2017

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.

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position/Fund Balance

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, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position/Fund Balance (Continued)

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 \$5,975 for Water utility charges, \$12,486 for Sewer utility charges, and \$1,438 for Refuse utility charges as of June 30, 2017. 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 |

Investment Valuation

The City has adopted GASB statement No. 72, *Fair Value Measurement and Application*; investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statement require or permit in the statement of net position at the end of each reporting period.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position/Fund Balance (Continued)

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 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 the net pension 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) plan (Plan) and additions to/deductions from the Plan's 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.

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, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position/Fund Balance (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, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position/Fund Balance (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.

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, 2017 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 Funds</u> | <u>Total</u> |
| Cash and investments | \$ 6,773,858 | \$ 5,051,461 | \$ 59,546 | \$ 11,884,865 |
| Restricted cash and investments | - | 535,000 | 219,000 | 754,000 |
| Total cash and investments | <u>\$ 6,773,858</u> | <u>\$ 5,586,461</u> | <u>\$ 278,546</u> | <u>\$ 12,638,865</u> |

Cash and investments consist of the following as of June 30, 2017:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 5,649 |
| Deposits with financial institutions | 6,385,918 |
| Investments | <u>6,247,298</u> |
| Total cash and investments | <u>\$ 12,638,865</u> |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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. 72.

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 | \$ 3,017,271 | \$ 3,017,271 | \$ - | \$ - |
| Money Market | 580 | 580 | - | - |
| Certificates of Deposits | 2,226,393 | 248,551 | 995,363 | 982,479 |
| Federal Agency Securities: | | | | |
| Federal Farm Credit Banks | 250,232 | - | - | 250,232 |
| Federal National Mortgage Association | 498,615 | 498,615 | - | - |
| Financing Corp Principal FICO | <u>254,207</u> | <u>254,207</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,247,298</u> | <u>\$ 4,019,224</u> | <u>\$ 995,363</u> | <u>\$ 1,232,711</u> |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 | \$ 3,017,271 | \$ - | \$ - | \$ 3,017,271 |
| Money Market | 580 | - | - | 580 |
| Certificates of Deposits | 2,226,393 | - | - | 2,226,393 |
| Federal Agency Securities: | | | | |
| Federal Farm Credit Banks | 250,232 | - | 250,232 | - |
| Federal National Mortgage Association | 498,615 | - | 498,615 | - |
| Federal National Mortgage Association | <u>254,207</u> | <u>-</u> | <u>-</u> | <u>254,207</u> |
| Total | <u>\$ 6,247,298</u> | <u>\$ -</u> | <u>\$ 748,847</u> | <u>\$ 5,498,451</u> |

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 National Mortgage Association | Federal Agency Securities | \$ 498,615 |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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.

The carrying amounts of the City's cash deposits totaled \$6,385,918 at June 30, 2017. Bank balances were \$6,838,245, 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, 2017, 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, 2017 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, 2017, the City had \$3,017,271 invested in the LAIF, which was reported at fair value.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investment Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Government Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

| <u>Investments by Fair Value Level</u> | <u>Fair Value</u> | <u>Fair Value Measurements</u> | | |
|--|-------------------------|--------------------------------|---------------------------|---------------------------|
| | | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
| Certificates of Deposit | \$ 2,226,393 | \$ - | \$ 2,226,393 | \$ - |
| Federal Agency Securities | <u>1,003,054</u> | <u>-</u> | <u>1,003,054</u> | <u>-</u> |
| | 3,229,447 | <u>\$ -</u> | <u>\$ 3,229,447</u> | <u>\$ -</u> |
| <u>Unclassified Investments</u> | | | | |
| State Investment Pool | 3,017,271 | | | |
| Money Market Funds | <u>580</u> | | | |
| | <u>3,017,851</u> | | | |
| Total Investments | <u>\$ 6,247,298</u> | | | |

Certificates of deposit are valued based on the rates currently offered for deposits of similar remaining maturities. Federal agency securities are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

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.

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 \$9,416,820 as of June 30, 2017.

Deferred payment loans receivable for the Community Redevelopment Agency Special Revenue Fund totaled \$348,104 as of June 30, 2017.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)

Loans receivable consisted of the following as of June 30, 2017:

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. \$ 101,000

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. 201,861

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. 191,203

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 \$ 2,742,168

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Loans Receivable and Payable

Interfund loans receivable and payable consisted of the following at June 30, 2017:

| | Due | |
|---|-----------------------------|-----------------------------|
| | From | To |
| Major Funds: | | |
| General Fund | \$ 367,381 | \$ - |
| Federal and State Grants Special Revenue Fund | - | 53,961 |
| Nonmajor Funds: | | |
| Park Development Special Revenue Fund | - | 93,409 |
| Successor Agency Trust Fiduciary Fund | - | 220,011 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 367,381</u> | <u>\$ 367,381</u> |

The balances totaling \$367,381 due to the General Fund from the Federal and State Grants Special Revenue Fund, the Park Development Special Revenue Fund and the Successor Agency Trust Fiduciary Fund represents short-term borrowing resulting from a temporary need for additional cash. This amount is expected to be repaid shortly after the end of the fiscal year.

Transfers in/Transfers Out

The following schedules summarized the City's transfer activity for the year ended June 30, 2017:

| | Transfers | |
|--|-----------------------------|-----------------------------|
| | In | Out |
| Major Funds: | | |
| General Fund | \$ 32,742 | \$ - |
| CDBG Program Income Special Revenue Fund | - | 32,742 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 32,742</u> | <u>\$ 32,742</u> |

The transfers were to move CDBG program income to pay for administrative costs related to housing programs, and to cover new loan expenses.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for governmental activities for the year ended June 30, 2017 is as follows:

| | <u>Balances June 30, 2016</u> | <u>Acquisitions</u> | <u>Dispositions</u> | <u>Balances June 30, 2017</u> |
|---|-----------------------------------|---------------------|---------------------|-----------------------------------|
| Governmental Activities: | | | | |
| <i>Nondepreciable assets:</i> | | | | |
| Land | \$ 1,369,605 | \$ - | \$ - | \$ 1,369,605 |
| Infrastructure in progress | <u>8,008,452</u> | <u>2,897,018</u> | <u>(949,520)</u> | <u>9,955,950</u> |
| Total nondepreciable assets | <u>9,378,057</u> | <u>2,897,018</u> | <u>(949,520)</u> | <u>11,325,555</u> |
| <i>Depreciable assets:</i> | | | | |
| Buildings and improvements | 2,509,072 | - | - | 2,509,072 |
| Vehicles, machinery and equipment | 2,408,528 | 137,903 | (64,430) | 2,482,001 |
| Infrastructure | <u>6,109,347</u> | <u>949,520</u> | <u>-</u> | <u>7,058,867</u> |
| Total depreciable assets | <u>11,026,947</u> | <u>1,087,423</u> | <u>(64,430)</u> | <u>12,049,940</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,284,997 | 69,658 | - | 1,354,655 |
| Vehicles, machinery and equipment | 1,877,456 | 83,078 | (64,430) | 1,896,104 |
| Infrastructure | <u>1,285,561</u> | <u>226,834</u> | <u>-</u> | <u>1,512,395</u> |
| Total accumulated depreciation | <u>4,448,014</u> | <u>379,570</u> | <u>(64,430)</u> | <u>4,763,154</u> |
| Depreciable assets, net | <u>6,578,933</u> | <u>707,853</u> | <u>-</u> | <u>7,286,786</u> |
| Government activities capital assets, net | <u>\$ 15,956,990</u> | <u>\$ 3,604,871</u> | <u>\$ (949,520)</u> | <u>\$ 18,612,341</u> |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of capital assets activity for business-type activities for the year ended June 30, 2017 is as follows:

| | Balances June 30, 2016 | Acquisitions | Dispositions | Balances June 30, 2017 |
|--|---------------------------|---------------------|--------------|---------------------------|
| Business-Type Activities: | | | | |
| <i>Nondepreciable assets:</i> | | | | |
| Land | \$ 953,935 | \$ - | \$ - | \$ 953,935 |
| Construction in progress | <u>1,849,101</u> | <u>38,023</u> | <u>-</u> | <u>1,887,124</u> |
| Total nondepreciable assets | <u>2,803,036</u> | <u>38,023</u> | <u>-</u> | <u>2,841,059</u> |
| <i>Depreciable assets:</i> | | | | |
| Buildings and improvements | 152,061 | - | - | 152,061 |
| Vehicles, machinery and equipment | 1,251,639 | 47,126 | - | 1,298,765 |
| Utility transmission structures | <u>6,465,593</u> | <u>-</u> | <u>-</u> | <u>6,465,593</u> |
| Total depreciable assets | <u>7,869,293</u> | <u>47,126</u> | <u>-</u> | <u>7,916,419</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 70,815 | 4,945 | - | 75,760 |
| Vehicles, machinery and equipment | 1,123,257 | 49,041 | - | 1,172,298 |
| Utility transmission structures | <u>2,752,528</u> | <u>165,396</u> | <u>-</u> | <u>2,917,924</u> |
| Total accumulated depreciation | <u>3,946,600</u> | <u>219,382</u> | <u>-</u> | <u>4,165,982</u> |
| Depreciable assets, net | <u>3,922,693</u> | <u>(172,256)</u> | <u>-</u> | <u>3,750,437</u> |
| Business-type activities capital assets, net | <u>\$ 6,725,729</u> | <u>\$ (134,233)</u> | <u>\$ -</u> | <u>\$ 6,591,496</u> |

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

| | |
|-------------------------------------|-------------------|
| <i>Governmental Activities:</i> | |
| Administration | \$ 46,810 |
| Public safety - law enforcement | 46,651 |
| Public safety - fire | 7,807 |
| Public safety - animal control | 4,104 |
| Street construction and maintenance | 185,186 |
| Building, grounds and parks | 57,038 |
| Community development | 12,767 |
| City properties | 19,207 |
| <i>Business-Type Activities:</i> | |
| Water | 133,335 |
| Sewer | <u>86,047</u> |
| Total | <u>\$ 598,952</u> |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 has pension related items that qualify to be report as deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 9.

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 two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

The unavailable revenues arise only under a modified accrual basis of accounting and are only reported in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues for the year ended June 30, 2017 are as follows:

| | <u>CDBG Program Income Special Revenue Fund</u> | <u>Low and Moderate Income Housing Asset Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|------------------------|---|---|---|
| Deferred housing loans | \$ 2,091,203 | \$ 650,965 | \$ 2,742,168 |
| Total | <u>\$ 2,091,203</u> | <u>\$ 650,965</u> | <u>\$ 2,742,168</u> |

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 \$568,435 for governmental activities and \$75,913 for business-type activities at June 30, 2017. 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, 2017 was \$710,547 for governmental activities and \$94,891 for business-type activities.

| | <u>Balances June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances June 30, 2017</u> | <u>Due Within One Year</u> |
|--------------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|--------------------------------|
| Governmental Activities | <u>\$ 678,889</u> | <u>\$ 258,103</u> | <u>\$ (226,445)</u> | <u>\$ 710,547</u> | <u>\$ 142,112</u> |
| Business-Type Activities | <u>\$ 92,273</u> | <u>\$ 94,832</u> | <u>\$ (92,214)</u> | <u>\$ 94,891</u> | <u>\$ 18,978</u> |

NOTE 8 – LONG-TERM DEBT

In December 2014, the City obtained a loan from CoBank, ACB (Lender). For \$1,125,000, bearing an interest rate equivalent to 2.00% above the one-month LIBOR index rate, payable on December 20, 2017, or such later date as the Lender, in its sole discretion, authorize. The loan was obtained as bridge until the City receives further federal and state funding for the construction of a wastewater treatment plant.

The balance of the loan at June 30, 2017 was \$1,125,000.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Farmersville’s (City) sponsors four rate plans (two miscellaneous and two safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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 the Plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2017 are summarized as follows

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | 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% | 1.0% to 2.5% |
| Required employee contribution rates | 7.000% | 6.250% |
| Required employer contribution rates | 7.159% | 6.555% |
| | Safety | |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% @ 55 | 2% @ 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 2.0% | 1.426% to 2.0% |
| Required employee contribution rates | 7.000% | 9.5000% |
| Required employer contribution rates | 12.055% | 9.418% |

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$100,213 for the fiscal year ended June 30, 2017.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions – Section 20814(c) 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 the Plan 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.

The City's contributions to the Plan recognized as a part of pension expense for the year then ended June 30, 2017 were \$264,521.

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,202,578.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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 plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

| | |
|------------------------------|----------------|
| Proportion - June 30, 2015 | 0.0131% |
| Proportion - June 30, 2016 | <u>0.0139%</u> |
| Change - Increase (Decrease) | 0.0008% |

For the year ended June 30, 2017, the City recognized a pension credit of \$24,979. At June 30, 2017, 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 | \$ 281,161 | \$ - |
| Changes of assumptions | - | 90,192 |
| Differences between actual and expected experience | 2,703 | 10,005 |
| Net differences between projected and actual earnings on plan investments | 455,668 | - |
| Change in employer's proportion | 43,549 | 36,964 |
| Differences between the employer's actual contributions and the employer's proportionate share of contributions | 148,879 | - |
| Total | <u>\$ 931,960</u> | <u>\$ 137,161</u> |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN (Continued)

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

\$281,161 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, 2018. 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 | |
|-----------------------|-----------|
| 2018 | \$ 90,521 |
| 2019 | 84,184 |
| 2020 | 220,608 |
| 2021 | 118,325 |
| 2022 | - |
| Thereafter | - |

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|-------------------------|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% (1) |
| Investment Rate of Return | 7.65% (2) |
| | Derived using CalPERS' |
| | Membership data for all |
| Mortality | 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, 2017**

NOTE 9 – PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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 PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) 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.

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 | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 20.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 4.50% | 5.09% |
| Liquidity | 1.0% | -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

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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:

| Discount Rate -1% | Current Discount Rate | Discount Rate +1% |
|-------------------|-----------------------|-------------------|
| 6.65% | 7.65% | 8.65% |
| \$ 1,978,572 | \$ 1,202,578 | \$ 563,335 |

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

The City did not have an outstanding amount of contributions payable to the pension plan at the year ended June 30, 2017.

NOTE 10 – 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.

Each member city self-insures a portion of each of its claims, which for Farmersville is the first \$25,000 of each claim (occurrence) in the liability program and \$50,000 in the workers' compensation program. If a claim exceeds a member's retained limit, the amount exceeding the retained limit is distributed to the pool layers above the city's retained limit, and that cost is shared amongst the members with the various pool layers.

For the Liability Program, the CSJVRMA's risk sharing pool covers the first \$1,000,000 of each claim. The CSJVRMA participates in an excess pool, the California Affiliated Risk Management Authorities (CARMA) that provides excess liability coverage in excess of \$1,000,000. CARMA's risk sharing pool covers the first \$4,000,000 of each claim and CARMA purchases a combination of reinsurance and excess insurance through AmTrust Financial Group and Colony for a total of \$29,000,000 in coverage.

For the Workers' Compensation Program, the CSJVRMA's risk sharing pool covers the first \$500,000 of each claim. The CSJVRMA purchases excess workers' compensation coverage through the Local Agency Workers' Compensation Excess JPA (LAWCX) for the amount in excess of \$500,000. LAWCX's risk sharing pool covers the first \$5 million of each claim, and LAWCX purchases a combination of reinsurance and excess insurance through CSAC EIA with statutory limits.

The Central San Joaquin Valley Risk Management Authority is a consortium of fifty-four (54) 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 three 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.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2017 (most recent available), is presented as follows:

| | |
|------------------------|----------------------|
| Total assets | \$ 100,984,219 |
| Total liabilities | <u>83,009,648</u> |
| Total net position | <u>\$ 17,974,571</u> |
| | |
| Revenues | \$ 44,757,809 |
| Expenses | <u>42,218,070</u> |
| Change in net position | <u>\$ 2,539,739</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 11 – 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.

NOTE 12 – 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.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2017 was as follows:

| | <u>Balances June 30, 2016</u> | <u>Acquisitions</u> | <u>Dispositions</u> | <u>Balances June 30, 2017</u> |
|-------------------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| Successor Agency Trust Fund: | | | | |
| <i>Nondepreciable assets:</i> | | | | |
| Land | \$ 525,457 | \$ - | \$ - | \$ 525,457 |
| Total nondepreciable 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 | 552,767 | 125,746 | - | 678,513 |
| Vehicles, machinery and equipment | <u>123,158</u> | <u>17,848</u> | <u>-</u> | <u>141,006</u> |
| Total accumulated depreciation | <u>675,925</u> | <u>143,594</u> | <u>-</u> | <u>819,519</u> |
| Depreciable assets, net | <u>3,330,549</u> | <u>(143,594)</u> | <u>-</u> | <u>3,186,955</u> |
| Capital assets, net | <u>\$ 3,856,006</u> | <u>\$ (143,594)</u> | <u>\$ -</u> | <u>\$ 3,712,412</u> |

Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2017 was comprised of the following:

| | <u>Balance June 30, 2016</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2017</u> | <u>Due Within One Year</u> |
|----------------------|----------------------------------|---------------|---------------------|----------------------------------|--------------------------------|
| USDA Loan | \$ 2,145,363 | \$ - | \$ (115,186) | \$ 2,030,177 | \$ 120,255 |
| Total long-term debt | <u>\$ 2,145,363</u> | <u>\$ -</u> | <u>\$ (115,186)</u> | <u>\$ 2,030,177</u> | <u>\$ 120,255</u> |

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)

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, 2017 was \$2,030,177.

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> |
|--|---------------------|-------------------|---------------------|
| 2018 | \$ 120,255 | \$ 81,207 | \$ 201,462 |
| 2019 | 125,527 | 76,397 | 201,924 |
| 2020 | 131,010 | 71,376 | 202,386 |
| 2021 | 136,711 | 66,135 | 202,846 |
| 2022 | 142,641 | 60,667 | 203,308 |
| 2023-2027 | 810,799 | 212,666 | 1,023,465 |
| 2028-2030 | <u>563,234</u> | <u>45,250</u> | <u>608,484</u> |
| Total | <u>\$ 2,030,177</u> | <u>\$ 613,698</u> | <u>\$ 2,643,875</u> |

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Beginning net position of the Governmental Activities and fund balance in in the Street Tax Special Revenue Fund have been restated to record prior period adjustments as presented in the reconciliation below:

| | <u>Government-Wide</u> | <u>Governmental Funds</u> |
|--|------------------------------------|--|
| | <u>Governmental Activities</u> | <u>Street Tax Special Revenue Fund</u> |
| Fund balance/net position, June 30, 2016, as previously reported | \$ 25,387,809 | \$ 5,033,331 |
| Prior period adjustments: | | |
| Understatement of intergovernmental receivables | 243,008 | 243,008 |
| Understatement of due to other governments | (1,401,302) | (1,401,302) |
| Overstatement of expenses | <u>122,820</u> | <u>122,820</u> |
| Total prior period adjustments | <u>(1,035,474)</u> | <u>(1,035,474)</u> |
| Fund balance/net position, July 1, 2016, as restated | <u>\$ 24,352,335</u> | <u>\$ 3,997,857</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,222,490 | \$ 1,207,072 | \$ 1,247,643 | \$ 40,571 |
| Sales taxes | 882,549 | 882,549 | 819,790 | (62,759) |
| Other taxes | 143,008 | 143,008 | 137,321 | (5,687) |
| Licenses and permits | 56,800 | 56,800 | 74,857 | 18,057 |
| Charges for services | 204,204 | 204,204 | 201,425 | (2,779) |
| Intergovernmental | 241,055 | 354,314 | 328,649 | (25,665) |
| Fines and penalties | 39,000 | 23,000 | 26,693 | 3,693 |
| Investment income | 7,258 | 7,258 | (39,178) | (46,436) |
| Rent | 179,480 | 179,480 | 177,112 | (2,368) |
| Miscellaneous revenue | 6,500 | 6,500 | 38,527 | 32,027 |
| Total revenues | <u>2,982,344</u> | <u>3,064,185</u> | <u>3,012,839</u> | <u>(51,346)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| City council | 11,500 | 15,500 | 15,756 | (256) |
| Administration | 304,255 | 309,362 | 248,513 | 60,849 |
| City properties | 41,440 | 43,440 | 34,111 | 9,329 |
| Public safety: | | | | |
| Law enforcement | 1,925,191 | 1,934,015 | 1,832,345 | 101,670 |
| Fire services | 556,413 | 559,319 | 555,614 | 3,705 |
| Animal control | 90,959 | 92,748 | 87,613 | 5,135 |
| Buildings, grounds and parks | 105,588 | 125,648 | 114,977 | 10,671 |
| Recreation | 10,000 | 10,000 | 5,700 | 4,300 |
| Street construction and maintenance | 8,500 | 8,500 | 6,329 | 2,171 |
| Community development | 207,439 | 210,628 | 183,009 | 27,619 |
| Capital outlay | 88,200 | 72,000 | 180,012 | (108,012) |
| Total expenditures | <u>3,349,485</u> | <u>3,381,160</u> | <u>3,263,979</u> | <u>117,181</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(367,141)</u> | <u>(316,975)</u> | <u>(251,140)</u> | <u>65,835</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of capital lease | - | - | 132,000 | 132,000 |
| Transfers in | 72,000 | 72,000 | 32,742 | (39,258) |
| Total other financing sources (uses) | <u>72,000</u> | <u>72,000</u> | <u>164,742</u> | <u>92,742</u> |
| Net change in fund balance | (295,141) | (244,975) | (86,398) | 158,577 |
| Fund balances - beginning | <u>2,137,590</u> | <u>2,137,590</u> | <u>2,137,590</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,842,449</u> | <u>\$ 1,892,615</u> | <u>\$ 2,051,192</u> | <u>\$ 158,577</u> |

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 2,344,953 | \$ 1,442,081 | 893,750 | \$ (548,331) |
| Miscellaneous revenues | <u>1,261</u> | <u>1,261</u> | <u>-</u> | <u>(1,261)</u> |
| Total revenues | <u>2,346,214</u> | <u>1,443,342</u> | <u>893,750</u> | <u>(549,592)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | 2,344,953 | 1,442,081 | 919,225 | 522,856 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>8,721</u> | <u>(8,721)</u> |
| Total expenditures | <u>2,344,953</u> | <u>1,442,081</u> | <u>927,946</u> | <u>514,135</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,261</u> | <u>1,261</u> | <u>(34,196)</u> | <u>(35,457)</u> |
| Net change in fund balance | 1,261 | 1,261 | (34,196) | (35,457) |
| Fund balances - beginning | <u>45,710</u> | <u>45,710</u> | <u>45,710</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 46,971</u> | <u>\$ 46,971</u> | <u>\$ 11,514</u> | <u>\$ (35,457)</u> |

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
STREET TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 9,598,020 | \$ 7,221,020 | \$ 3,357,630 | \$ (3,863,390) |
| Investment income | <u>16,319</u> | <u>16,319</u> | <u>26,815</u> | <u>10,496</u> |
| Total revenues | <u>9,614,339</u> | <u>7,237,339</u> | <u>3,384,445</u> | <u>(3,852,894)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Street construction and maintenance | 675,113 | 705,207 | 365,632 | 339,575 |
| Capital outlay | <u>8,834,325</u> | <u>6,457,325</u> | <u>2,804,045</u> | <u>3,653,280</u> |
| Total expenditures | <u>9,509,438</u> | <u>7,162,532</u> | <u>3,169,677</u> | <u>3,992,855</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>104,901</u> | <u>74,807</u> | <u>214,768</u> | <u>139,961</u> |
| Net change in fund balance | 104,901 | 74,807 | 214,768 | 139,961 |
| Fund balances - beginning (restated) | <u>3,997,857</u> | <u>3,997,857</u> | <u>3,997,857</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 4,102,758</u> | <u>\$ 4,072,664</u> | <u>\$ 4,212,625</u> | <u>\$ 139,961</u> |

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
CDBG PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-----------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 57,000 | \$ 57,000 | \$ 34,480 | \$ (22,520) |
| Investment income | <u>1,079</u> | <u>1,079</u> | <u>95</u> | <u>(984)</u> |
| Total revenues | <u>58,079</u> | <u>58,079</u> | <u>34,575</u> | <u>(23,504)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | <u>-</u> | <u>-</u> | <u>2,802</u> | <u>(2,802)</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>2,802</u> | <u>(2,802)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>58,079</u> | <u>58,079</u> | <u>31,773</u> | <u>(26,306)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(57,000)</u> | <u>(57,000)</u> | <u>(32,742)</u> | <u>24,258</u> |
| Total other financing sources (uses) | <u>(57,000)</u> | <u>(57,000)</u> | <u>(32,742)</u> | <u>24,258</u> |
| Net change in fund balance | 1,079 | 1,079 | (969) | (2,048) |
| Fund balances - beginning | <u>969</u> | <u>969</u> | <u>969</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 2,048</u> | <u>\$ 2,048</u> | <u>\$ -</u> | <u>\$ (2,048)</u> |

CITY OF FARMERSVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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, 2017, 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 | \$ 15,500 | \$ 15,756 | \$ (256) |
| Federal and State Grants Special Revenue: | | | |
| Current: | | | |
| Capital outlay | - | 8,721 | (8,721) |
| CDBG Program Income Special Revenue Fund: | | | |
| Current: | | | |
| Community development | - | 2,802 | (2,802) |

CITY OF FARMERSVILLE

**PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017
LAST 10 YEARS***

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| Proportion of the net pension liability | 0.0174% | 0.0131% | 0.0139% |
| Proportionate share of the net pension liability | \$ 1,089,879 | \$ 895,761 | \$ 1,202,578 |
| Covered payroll | \$ 1,340,829 | \$ 1,637,780 | \$ 1,898,078 |
| Proportionate share of the net pension liability as percentage of covered payroll | 81.28% | 54.69% | 63.36% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.68% | 82.38% | 79.05% |

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - None

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF FARMERSVILLE
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017
LAST 10 YEARS*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 254,448 | \$ 264,521 | \$ 281,161 |
| Contributions in relation to the actuarially determined contributions | <u>254,448</u> | <u>264,521</u> | <u>281,161</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| Covered payroll | \$ 1,637,780 | \$ 1,898,078 | \$ 1,899,060 |
| Contributions as a percentage of covered payroll | 15.54% | 13.94% | 14.81% |

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available

SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>Special Revenue Funds</u> | <u>Capital Projects Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|-------------------------------------|--------------------------------------|--------------------------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 748,891 | \$ 127,216 | \$ 876,107 |
| Intergovernmental receivables | <u>148,019</u> | <u>-</u> | <u>148,019</u> |
| Total assets | <u>\$ 896,910</u> | <u>\$ 127,216</u> | <u>\$ 1,024,126</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 39,957 | \$ - | \$ 39,957 |
| Due to other funds | 93,409 | - | 93,409 |
| Salaries and benefits payable | <u>691</u> | <u>-</u> | <u>691</u> |
| Total liabilities | <u>134,057</u> | <u>-</u> | <u>134,057</u> |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Public safety | 198,841 | - | 198,841 |
| Community development | 107,877 | - | 107,877 |
| Capital maintenance | <u>456,135</u> | <u>127,216</u> | <u>583,351</u> |
| Total fund balances | <u>762,853</u> | <u>127,216</u> | <u>890,069</u> |
| Total liabilities and fund balances | <u>\$ 896,910</u> | <u>\$ 127,216</u> | <u>\$ 1,024,126</u> |

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------------------|--|
| REVENUES | | | |
| Property taxes | \$ 59,545 | \$ - | \$ 59,545 |
| Developer fees | 40,620 | 10,920 | 51,540 |
| Intergovernmental | 405,972 | - | 405,972 |
| Investment income | <u>3,094</u> | <u>642</u> | <u>3,736</u> |
| Total revenues | <u>509,231</u> | <u>11,562</u> | <u>520,793</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety: | | | |
| Law enforcement | 109,413 | - | 109,413 |
| Fire services | 13,872 | - | 13,872 |
| Buildings, grounds and parks | 57,960 | - | 57,960 |
| Street construction and maintenance | 71,975 | - | 71,975 |
| Community development | 29,391 | - | 29,391 |
| Capital outlay | <u>73,993</u> | <u>-</u> | <u>73,993</u> |
| Total expenditures | <u>356,604</u> | <u>-</u> | <u>356,604</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>152,627</u> | <u>11,562</u> | <u>164,189</u> |
| Net changes in fund balances | 152,627 | 11,562 | 164,189 |
| Fund balances - beginning | <u>610,226</u> | <u>115,654</u> | <u>725,880</u> |
| Fund balances - ending | <u>\$ 762,853</u> | <u>\$ 127,216</u> | <u>\$ 890,069</u> |

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | <u>Park Development Fund</u> | <u>Maintenance District</u> | <u>Developer Fees</u> | <u>Drug Enforcement Fund</u> |
|-------------------------------------|--------------------------------------|---------------------------------|---------------------------|--------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 114,685 | \$ 306,577 | \$ 27,659 |
| Intergovernmental receivables | <u>132,379</u> | <u>493</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 132,379</u> | <u>\$ 115,178</u> | <u>\$ 306,577</u> | <u>\$ 27,659</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 113 | \$ 4,321 | \$ - | \$ 7,505 |
| Due to other funds | 93,409 | - | - | - |
| Salaries and benefits payable | <u>-</u> | <u>156</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>93,522</u> | <u>4,477</u> | <u>-</u> | <u>7,505</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Public safety | - | - | - | 20,154 |
| Community development | - | - | - | - |
| Capital maintenance | <u>38,857</u> | <u>110,701</u> | <u>306,577</u> | <u>-</u> |
| Total fund balances | <u>38,857</u> | <u>110,701</u> | <u>306,577</u> | <u>20,154</u> |
| Total liabilities and fund balances | <u>\$ 132,379</u> | <u>\$ 115,178</u> | <u>\$ 306,577</u> | <u>\$ 27,659</u> |

| <u>Police Grants</u> | <u>State and County Asset Forfeiture</u> | <u>CalHOME Program Income</u> | <u>Federal Grants</u> | <u>AB 109</u> | <u>Totals</u> |
|--------------------------|--|---------------------------------------|---------------------------|------------------|-------------------|
| \$ 149,859 | \$ 3,962 | \$ 129,872 | \$ 5,305 | \$ 10,972 | \$ 748,891 |
| <u>15,147</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>148,019</u> |
| <u>\$ 165,006</u> | <u>\$ 3,962</u> | <u>\$ 129,872</u> | <u>\$ 5,305</u> | <u>\$ 10,972</u> | <u>\$ 896,910</u> |
| | | | | | |
| \$ 718 | \$ - | \$ 27,300 | \$ - | \$ - | \$ 39,957 |
| - | - | - | - | - | 93,409 |
| <u>535</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>691</u> |
| | | | | | |
| <u>1,253</u> | <u>-</u> | <u>27,300</u> | <u>-</u> | <u>-</u> | <u>134,057</u> |
| | | | | | |
| 163,753 | 3,962 | - | - | 10,972 | 198,841 |
| - | - | 102,572 | 5,305 | - | 107,877 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>456,135</u> |
| | | | | | |
| <u>163,753</u> | <u>3,962</u> | <u>102,572</u> | <u>5,305</u> | <u>10,972</u> | <u>762,853</u> |
| | | | | | |
| <u>\$ 165,006</u> | <u>\$ 3,962</u> | <u>\$ 129,872</u> | <u>\$ 5,305</u> | <u>\$ 10,972</u> | <u>\$ 896,910</u> |

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Park Development Fund</u> | <u>Maintenance District</u> | <u>Developer Fees</u> | <u>Drug Enforcement Fund</u> |
|--|--------------------------------------|---------------------------------|---------------------------|--------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ - | \$ 59,545 | \$ - | \$ - |
| Developer fees | 2,400 | - | 38,220 | - |
| Intergovernmental | 181,526 | - | - | - |
| Investment income | <u>65</u> | <u>603</u> | <u>1,193</u> | <u>146</u> |
| Total revenues | <u>183,991</u> | <u>60,148</u> | <u>39,413</u> | <u>146</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Law enforcement | - | - | 20,399 | - |
| Fire services | - | - | 13,872 | - |
| Buildings, grounds and parks | 57,960 | - | - | - |
| Street construction and maintenance | - | 71,975 | - | - |
| Community development | - | - | - | - |
| Capital outlay | <u>69,462</u> | <u>-</u> | <u>4,531</u> | <u>-</u> |
| Total expenditures | <u>127,422</u> | <u>71,975</u> | <u>38,802</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>56,569</u> | <u>(11,827)</u> | <u>611</u> | <u>146</u> |
| Net changes in fund balances | 56,569 | (11,827) | 611 | 146 |
| Fund balances (deficit) - beginning | <u>(17,712)</u> | <u>122,528</u> | <u>305,966</u> | <u>20,008</u> |
| Fund balances - ending | <u>\$ 38,857</u> | <u>\$ 110,701</u> | <u>\$ 306,577</u> | <u>\$ 20,154</u> |

| <u>Police Grants</u> | <u>State and County Asset Forfeiture</u> | <u>CalHOME Program Income</u> | <u>Federal Grants</u> | <u>AB 109</u> | <u>Totals</u> |
|----------------------|--|-------------------------------|-----------------------|------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 59,545 |
| - | - | - | - | - | 40,620 |
| 130,086 | - | 82,088 | 1,300 | 10,972 | 405,972 |
| <u>714</u> | <u>9</u> | <u>338</u> | <u>26</u> | <u>-</u> | <u>3,094</u> |
| <u>130,800</u> | <u>9</u> | <u>82,426</u> | <u>1,326</u> | <u>10,972</u> | <u>509,231</u> |
| 89,014 | - | - | - | - | 109,413 |
| - | - | - | - | - | 13,872 |
| - | - | - | - | - | 57,960 |
| - | - | - | - | - | 71,975 |
| - | - | 28,751 | 640 | - | 29,391 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>73,993</u> |
| <u>89,014</u> | <u>-</u> | <u>28,751</u> | <u>640</u> | <u>-</u> | <u>356,604</u> |
| <u>41,786</u> | <u>9</u> | <u>53,675</u> | <u>686</u> | <u>10,972</u> | <u>152,627</u> |
| 41,786 | 9 | 53,675 | 686 | 10,972 | 152,627 |
| <u>121,967</u> | <u>3,953</u> | <u>48,897</u> | <u>4,619</u> | <u>-</u> | <u>610,226</u> |
| <u>\$ 163,753</u> | <u>\$ 3,962</u> | <u>\$ 102,572</u> | <u>\$ 5,305</u> | <u>\$ 10,972</u> | <u>\$ 762,853</u> |

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2017

| | <u>Storm Drain Development Fund</u> |
|-------------------------------------|---|
| ASSETS | |
| Cash and cash equivalents | \$ <u>127,216</u> |
| Total assets | \$ <u>127,216</u> |
| FUND BALANCES | |
| Restricted for: | |
| Capital maintenance | <u>127,216</u> |
| Total fund balances | <u>127,216</u> |
| Total liabilities and fund balances | <u>\$ 127,216</u> |

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Storm Drain Development Fund</u> |
|--|---|
| REVENUES | |
| Developer fees | \$ 10,920 |
| Investment income | <u>642</u> |
| Total revenues | <u>11,562</u> |
| EXPENDITURES | |
| Current: | |
| Street construction and maintenance | <u>-</u> |
| Total expenditures | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>11,562</u> |
| Net change in fund balance | 11,562 |
| Fund balances - beginning | <u>115,654</u> |
| Fund balances - ending | <u>\$ 127,216</u> |

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017**

| | Customer Utility Deposit | | | Balance June 30, 2016 |
|---------------------------|--------------------------|------------------|--------------------|--------------------------|
| | Balance June 30, 2015 | Additions | Deductions | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 57,044 | \$ 23,133 | \$ (20,355) | \$ 59,822 |
| Total assets | <u>\$ 57,044</u> | <u>\$ 23,133</u> | <u>\$ (20,355)</u> | <u>\$ 59,822</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 330 | \$ 2,534 | \$ (2,664) | \$ 200 |
| Customer deposits | <u>56,714</u> | <u>23,463</u> | <u>(20,555)</u> | <u>59,622</u> |
| Total liabilities | <u>\$ 57,044</u> | <u>\$ 25,997</u> | <u>\$ (23,219)</u> | <u>\$ 59,822</u> |

| | PD Hold Unadjudicated Evidence | | | Balance June 30, 2016 |
|---------------------------|--------------------------------|-------------|-------------|--------------------------|
| | Balance June 30, 2015 | Additions | Deductions | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 965 | \$ 5 | \$ - | \$ 970 |
| Total assets | <u>\$ 965</u> | <u>\$ 5</u> | <u>\$ -</u> | <u>\$ 970</u> |
| LIABILITIES | | | | |
| Due to other agencies | \$ 965 | \$ 5 | \$ - | \$ 970 |
| Total liabilities | <u>\$ 965</u> | <u>\$ 5</u> | <u>\$ -</u> | <u>\$ 970</u> |

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017**

| | Live Scan | | | Balance June 30, 2016 |
|---------------------------|--------------------------|-----------------|-------------------|--------------------------|
| | Balance June 30, 2015 | Additions | Deductions | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ (408) | \$ 1,407 | \$ (2,245) | \$ (1,246) |
| Accounts receivable | <u>703</u> | <u>-</u> | <u>-</u> | <u>703</u> |
| Total assets | <u>\$ 295</u> | <u>\$ 1,407</u> | <u>\$ (2,245)</u> | <u>\$ (543)</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 147 | \$ 2,364 | \$ (2,392) | \$ 119 |
| Due to other agencies | <u>148</u> | <u>1,568</u> | <u>(2,378)</u> | <u>(662)</u> |
| Total liabilities | <u>\$ 295</u> | <u>\$ 3,932</u> | <u>\$ (4,770)</u> | <u>\$ (543)</u> |

| | Total | | | Balance June 30, 2016 |
|---------------------------|--------------------------|------------------|--------------------|--------------------------|
| | Balance June 30, 2015 | Additions | Deductions | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 57,601 | \$ 24,545 | \$ (22,600) | \$ 59,546 |
| Accounts receivable | <u>703</u> | <u>-</u> | <u>-</u> | <u>703</u> |
| Total assets | <u>\$ 58,304</u> | <u>\$ 24,545</u> | <u>\$ (22,600)</u> | <u>\$ 60,249</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 477 | \$ 4,898 | \$ (5,056) | \$ 319 |
| Customer deposits | 56,714 | 23,463 | (20,555) | 59,622 |
| Due to other agencies | <u>1,113</u> | <u>1,573</u> | <u>(2,378)</u> | <u>308</u> |
| Total liabilities | <u>\$ 58,304</u> | <u>\$ 29,934</u> | <u>\$ (27,989)</u> | <u>\$ 60,249</u> |

CITY OF FARMERSVILLE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| <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>Federal Awards Provided to Subrecipients</u> |
|--|----------------------------|---|-----------------------------|---|
| <u>U.S. DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT</u> | | | | |
| Passed through California Department of Housing and Community Development: | | | | |
| Community Development Block Grant Program | 14.228 | 14-CDBG-9900 | \$ 582,637 | \$ 57,433 |
| Community Development Block Grant Program | 14.228 | Program Income | 34,575 | - |
| Total Community Development Block Grant Program | | | 617,212 | 57,433 |
| Home Investment Partnership Program | 14.239 | 15-HOME-0895 | 1,945 | - |
| Total U.S. Department of Housing and Community Development | | | 619,157 | 57,433 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| Passed through California Department of Transportation: | | | | |
| Highway Planning and Construction (HSIP) | 20.205 | CMHSIPL-5368(009) | 55,181 | - |
| Highway Planning and Construction (CMAQ) | 20.205 | CMHSIPL-5368(009) | 161,207 | - |
| Highway Planning and Construction (CMAQ) | 20.205 | CMHSIPL-5368(010) | 83,519 | - |
| Total Highway Planning and Construction | | | 299,907 | - |
| Total U.S. Department of Transportation | | | 299,907 | - |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| Passed through California Department of Forestry and Fire Protection: | | | | |
| Volunteer Fire Assistance Program | 10.664 | 7FG16021 | 5,000 | - |
| Total U.S. Department of Agriculture | | | 5,000 | - |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Direct Award: | | | | |
| FY2015 Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | EMW-2015-FH-00301 | 132,266 | - |
| Passed through County of Tulare: | | | | |
| Homeland Security Grant Program (HSGP) 2016 | 97.067 | 2016-0102 | 7,350 | - |
| Total U.S. Department of Homeland Security | | | 139,616 | - |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | | |
| Direct Award: | | | | |
| Bulletproof Vests Partnership Program | 16.710 | N/A | 3,915 | - |
| Total U.S. Department of Justice | | | 3,915 | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,067,595 | \$ 57,433 |

CITY OF FARMERSVILLE

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Farmersville (the City). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

INDIRECT COST RATE

The City has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2018.

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*.

677 Scott Avenue
Clovis, CA 93612

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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
March 3, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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Clovis, CA 93612

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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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
March 3, 2018

FINDINGS AND QUESTIONED COSTS

CITY OF FARMERSVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified -
not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that
are not considered to be material weaknesses? _____ Yes X 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
2 CFR 200 Section 200.516(a)? _____ Yes X No

Identification of major programs:

| | |
|------------------------------|--|
| <u>CFDA Number</u> 14.228 | <u>Name of Federal Program or Cluster</u> Community Development Block Grant |
|------------------------------|--|

Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS

None reported.

CITY OF FARMERSVILLE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT FINDINGS

Finding 2016-001 Schedule of Expenditures of Federal Awards

Condition: Community Development Block Grant expenditures were not accounted for on the Schedule of Expenditures of Federal Awards.

Criteria: 2 CFR 200 Section 200.502(a) provides criteria for determining Federal awards expended.

Cause: The City did not realize that the receipt or use of program income is Federal activity that should be classified as Federal expenditures.

Effect: Total expenditures on the Schedule of Expenditures of Federal Awards were understated.

Recommendation: The City should review their use of program income for inclusion on the Schedule of Expenditures of Federal Awards.

Status: Implemented

FEDERAL AWARD FINDINGS

None reported.