

CITY OF FARMERSVILLE
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2018

CITY OF FARMERSVILLE

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, California (the City) as of and for the year ended June 30, 2018, 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, 2018, 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 3-15, budgetary comparison information on pages 58-61, the proportionate share of net pension liability on page 63, and the schedule of contributions on page 64 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 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 January 11, 2019, 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
January 11, 2019

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. 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 \$40,314,479 (net position). Of this amount, \$3,749,282 (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 \$1,839,485 from the prior fiscal year. Governmental activities increased the City's total net position by \$876,037 and business-type activities increased by \$963,448. The overall increase in net position is due to several factors. Governmental activities increased in several categories: cash position, receivables, and capital assets. Cash position and receivables increased due to major project expenditure reimbursements in prior periods that were reimbursed in the current year. The City's assets increased by \$1,725,323. A \$3,852,093 increase was due to net capital assets from major projects and a decrease of \$2,533,159 was due to the City's determination that certain long-term receivables were not collectible. Liabilities also increased for FY 2018 but only by \$906,589 in the same time period. As the City continues on this progression of large projects, its balance sheet and overall value will continue to grow.

At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$6,972,411, a decrease of \$225,269 in comparison with the prior year restated combined ending fund balances. Changes in several categories affected the combined fund balance of the City in FY 2018. Compared to the prior year, the largest change was in the Street Tax Special Revenue Fund. This Fund contains several different funding sources applied to multiple road improvement projects on Farmersville Blvd, Visalia Road, and Walnut Ave. As those projects progress they are each in a different phase of spending and reimbursement. The most significant change is an increase of about \$500,000 in liability estimated to be returned to TCAG because of the Freeway Interchange Roundabouts Project. TCAG had provided significant advances and now that the project is nearly complete some of the advance (about \$2,500,000) is owed back to TCAG. Although the fund is healthy and has more cash available than before it also has more liability to pay in the future. Miscellaneous adjustments, reclassifications, and delay in grant reimbursements in other governmental funds account the bulk of the remainder of this net decrease.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,942,135. This represents a \$124,152 increase to the unassigned fund balance of \$1,817,983 reported at June 30, 2017. Compared to the prior year, FY 2018 ended with \$374,238 more in assets in the General Fund of which \$350,717 is cash. Most of this additional cash is due to spending within budget limits while bringing in more revenue for the same period. This is the ideal situation for the City and is good fiscal management.

At the same time the General Fund also acquired \$67,492 more in liabilities than the prior year which is mostly short term accounts payable. These liabilities are quickly paid off as the City strives to pay its expenses expeditiously through weekly accounts payable batches.

The City also increased the Assigned Fund Balances in FY 2018 by \$251,000 to support certain required reserves. This is not only required by policy, but is prudent fiscal management that will allow for consistent service to be provided by the City for its residents.

The City's total long-term debt of \$3,374,210 increased by \$109,194 compared to last year. The City has only a handful of debt currently, and half of those debt amounts decreased from the prior year. However, the City's Net Pension Liability is the main cause of the increase. On its own, the City's debt related to pensions increased \$191,453 but was partially offset by the decreases in debt related to Compensated Absences and Capital Leases related to police vehicles.

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.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

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

The *statement of activities* presents information showing how the City's net position changed during the 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 19 through 20 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 financial 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 26 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 27 through 29 of this report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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.

The basic fiduciary fund financial statements can be found on pages 30 through 31 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 32 through 56 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 58 through 64 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 66 through 74.

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 \$40,314,479 at June 30, 2018.

**Condensed Statement of Net Position
June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 10,523,892	\$ 12,650,662	\$ 6,901,480	\$ 5,873,158	\$ 17,425,372	\$ 18,523,820
Capital assets	<u>22,464,434</u>	<u>18,612,341</u>	<u>6,612,975</u>	<u>6,591,496</u>	<u>29,077,409</u>	<u>25,203,837</u>
Total assets	<u>32,988,326</u>	<u>31,263,003</u>	<u>13,514,455</u>	<u>12,464,654</u>	<u>46,502,781</u>	<u>43,727,657</u>
Deferred outflows of resources	<u>662,272</u>	<u>681,211</u>	<u>246,407</u>	<u>250,749</u>	<u>908,679</u>	<u>931,960</u>
Current liabilities	3,551,481	2,710,814	124,408	71,632	3,675,889	2,782,446
Long-term liabilities outstanding	<u>1,698,073</u>	<u>1,632,152</u>	<u>1,676,136</u>	<u>1,632,864</u>	<u>3,374,209</u>	<u>3,265,016</u>
Total liabilities	<u>5,249,554</u>	<u>4,342,966</u>	<u>1,800,544</u>	<u>1,704,496</u>	<u>7,050,098</u>	<u>6,047,462</u>
Deferred inflows of resources	<u>23,879</u>	<u>100,120</u>	<u>23,004</u>	<u>37,041</u>	<u>46,883</u>	<u>137,161</u>
Net position:						
Net investment in capital assets	22,375,212	18,480,341	5,487,975	5,466,496	27,863,187	23,946,837
Restricted	4,720,220	7,888,656	3,981,790	2,026,034	8,702,010	9,914,690
Unrestricted	<u>1,281,733</u>	<u>1,132,131</u>	<u>2,467,549</u>	<u>3,481,336</u>	<u>3,749,282</u>	<u>4,613,467</u>
Total net position	<u>\$ 28,377,165</u>	<u>\$ 27,501,128</u>	<u>\$ 11,937,314</u>	<u>\$ 10,973,866</u>	<u>\$ 40,314,479</u>	<u>\$ 38,474,994</u>

The largest portion of the City's net position, \$27,863,187 (69 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 \$3,749,282 (9 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 \$8,702,010 (22 percent) represents resources that are subject to external restrictions on their use.

Business-type activities increased the City's net position by \$963,448, accounting for 52% 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, 2018**

**Condensed Statement of Activities
For the Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 278,523	\$ 301,486	\$ 3,488,833	\$ 3,213,105	\$ 3,767,356	\$ 3,514,591
Operating grants and contributions	1,349,869	1,690,143	-	10,000	1,349,869	1,700,143
Capital grants and contributions	3,242,141	3,374,479	111,961	78,216	3,354,102	3,452,695
General revenues:						
Property taxes	1,383,150	1,317,094	-	-	1,383,150	1,317,094
Sales taxes	1,127,213	819,790	-	-	1,127,213	819,790
Franchise taxes	128,556	117,662	-	-	128,556	117,662
Other taxes	9,999	9,753	-	-	9,999	9,753
Motor vehicle in-lieu	-	5,000	-	-	-	5,000
Rental income	180,148	177,112	-	-	180,148	177,112
Earning on investments	(4,215)	(5,532)	50,879	25,647	46,664	20,115
Miscellaneous	93,458	38,527	478	50,082	93,936	88,609
Gain on sale of capital assets	(26,753)	-	-	-	(26,753)	-
Total revenues	<u>7,762,089</u>	<u>7,845,514</u>	<u>3,652,151</u>	<u>3,377,050</u>	<u>11,414,240</u>	<u>11,222,564</u>
Expenses:						
City council	2,744	15,756	-	-	2,744	15,756
Administration	355,172	282,612	-	-	355,172	282,612
City properties	53,383	53,318	-	-	53,383	53,318
Public safety:						
Law enforcement	2,119,860	1,913,469	-	-	2,119,860	1,913,469
Fire services	603,517	576,973	-	-	603,517	576,973
Animal control	79,520	86,796	-	-	79,520	86,796
Buildings, grounds and parks	182,229	161,894	-	-	182,229	161,894
Street construction and maintenance	609,846	751,132	-	-	609,846	751,132
Community development	2,948,652	854,771	-	-	2,948,652	854,771
Interest and fiscal charges	3,250	-	-	-	3,250	-
Water	-	-	934,795	827,550	934,795	827,550
Sewer	-	-	991,033	893,354	991,033	893,354
Refuse	-	-	762,875	726,742	762,875	726,742
Total expenses	<u>6,958,173</u>	<u>4,696,721</u>	<u>2,688,703</u>	<u>2,447,646</u>	<u>9,646,876</u>	<u>7,144,367</u>
Change in net position	803,916	3,148,793	963,448	929,404	1,767,364	4,078,197
Net position - beginning (restated)	27,573,249	24,352,335	10,973,866	10,044,462	38,547,115	34,396,797
Net position - ending	<u>\$ 28,377,165</u>	<u>\$ 27,501,128</u>	<u>\$ 11,937,314</u>	<u>\$ 10,973,866</u>	<u>\$ 40,314,479</u>	<u>\$ 38,474,994</u>

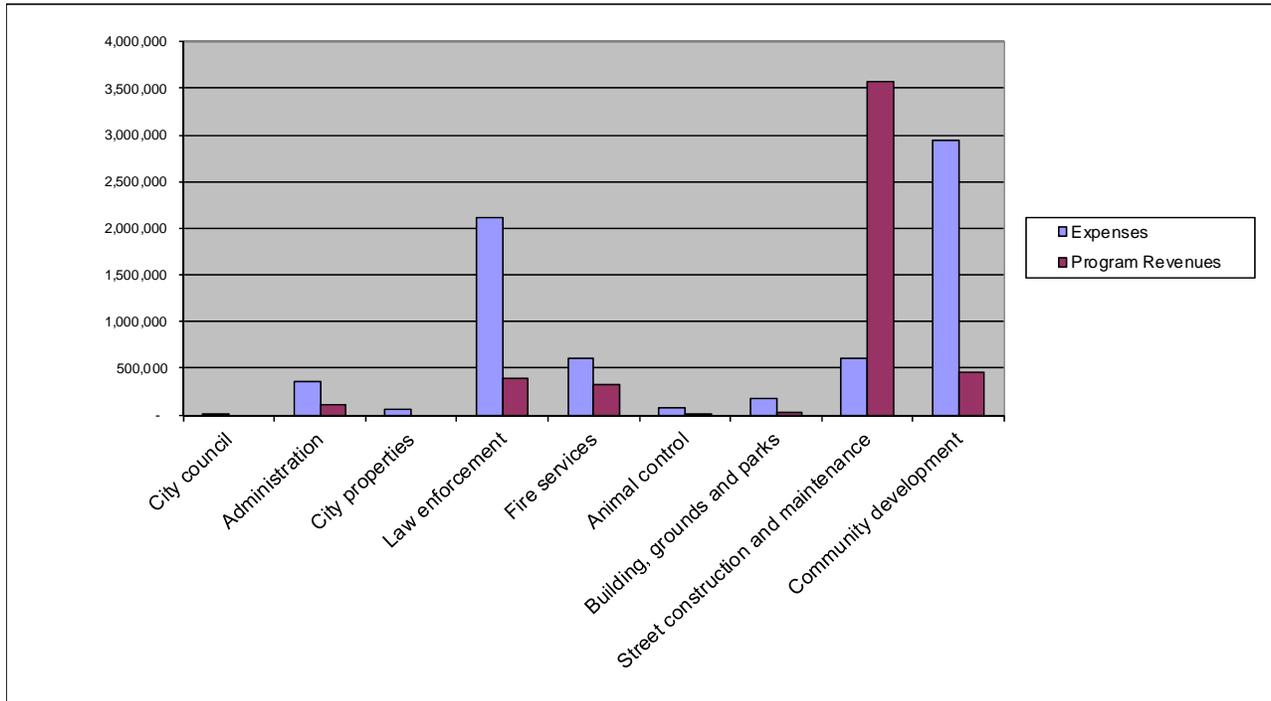
Key elements of the increase/decrease in revenue for governmental activities are as follows:

- Governmental operating grants and contributions decreased \$340,274, or 20%, from the prior year to \$1,349,869. This reduction is the net result of several grants in several different statuses spread across several departments and funds. Some grants are concluding their period of performance and are either completed in the prior year or are still awaiting reimbursement which causes a variance between funds expended and an offsetting revenue. The largest examples of this are the CDBG 2014 Grant, HOME 2015 Grant, and the Water Energy Grant. All these grants had significant revenue and expenditure in the prior year while they were active and collecting significant or even final reimbursements. However, what was received in FY 2018 was vastly different and creates this variance in FY 2018. As grants complete their life cycle it will create a significant variance in the next period unless offset by another active grant.
- Capital Grants and Contributions decreased by \$132,338 of 4% to \$3,242,141 from the prior year. Similar to the governmental operating grants, this decrease is again caused by the grants used to complete Phase I of the Sports Park Project. The Land and Water Conservation Fund Grant and the Urban Greening Grant both had significant reimbursement in FY 2017 as they completed their process and now have no revenue in FY 2018 because they are completed.
- Sales tax revenues increased \$307,423, or 38%, from the prior year to \$1,127,213. The increase can primarily be attributed to a jump in regular Bradley Burns Sales Tax of about 30% due to new businesses and higher revenue from increased fuel prices (partially caused by the passage of SB1). Other increases from the 2005 Measure U tax increased by 34% for related reasons, and the first revenue from 2017 Measure P Tax allowing for an additional \$52,484 from April through June.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

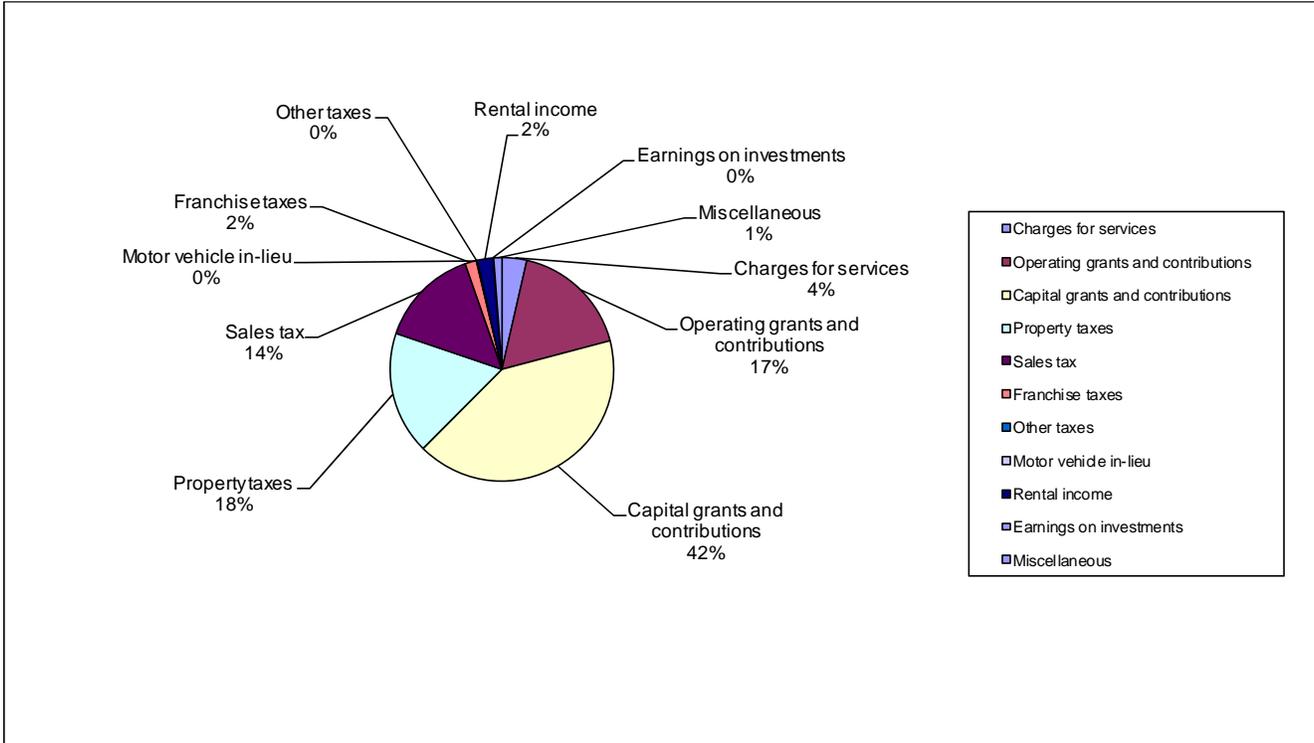
- Property taxes increased by \$66,056 or 5% to 1,383,150 from the prior year. Property tax revenue came in slightly higher than those amounts received in the prior fiscal year specifically with Property Tax Increments rerouted from the unwinding of the Redevelopment Agency and Property Tax provided through the swap with Vehicle License Fees.
- Franchise fees increased by \$10,894 or 9% to \$128,556 from the prior year. Most franchise fees stayed about level but due to the expansion of services through Charter Communications / Spectrum more connections and infrastructure has been put in place which creates more fees for the City.
- Miscellaneous income increased by \$54,931 or 143% to \$93,458 from the prior year. Most of this increase is a payment of \$30,319 categorized as miscellaneous in the Gas Tax Fund. This payment is one of three caused by SB1 legislation. SB1 stipulates the repayment of \$706 million by the state General Fund to transportation funds over three fiscal years: 2017-18, 2018-19, and 2019-20. The Governor and Legislature have been repaying transportation funds for previous borrowings for several years. Previously, the repayments have gone to other transportation programs that were owed. Under SB1, \$75 million will be allocated to local streets and roads from these loan repayments in each of these three years.
- All remaining revenue types displayed above are in-line with prior year revenues reported.

Expenses and Program Revenue – Governmental Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Revenues by Source – Governmental Activities



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

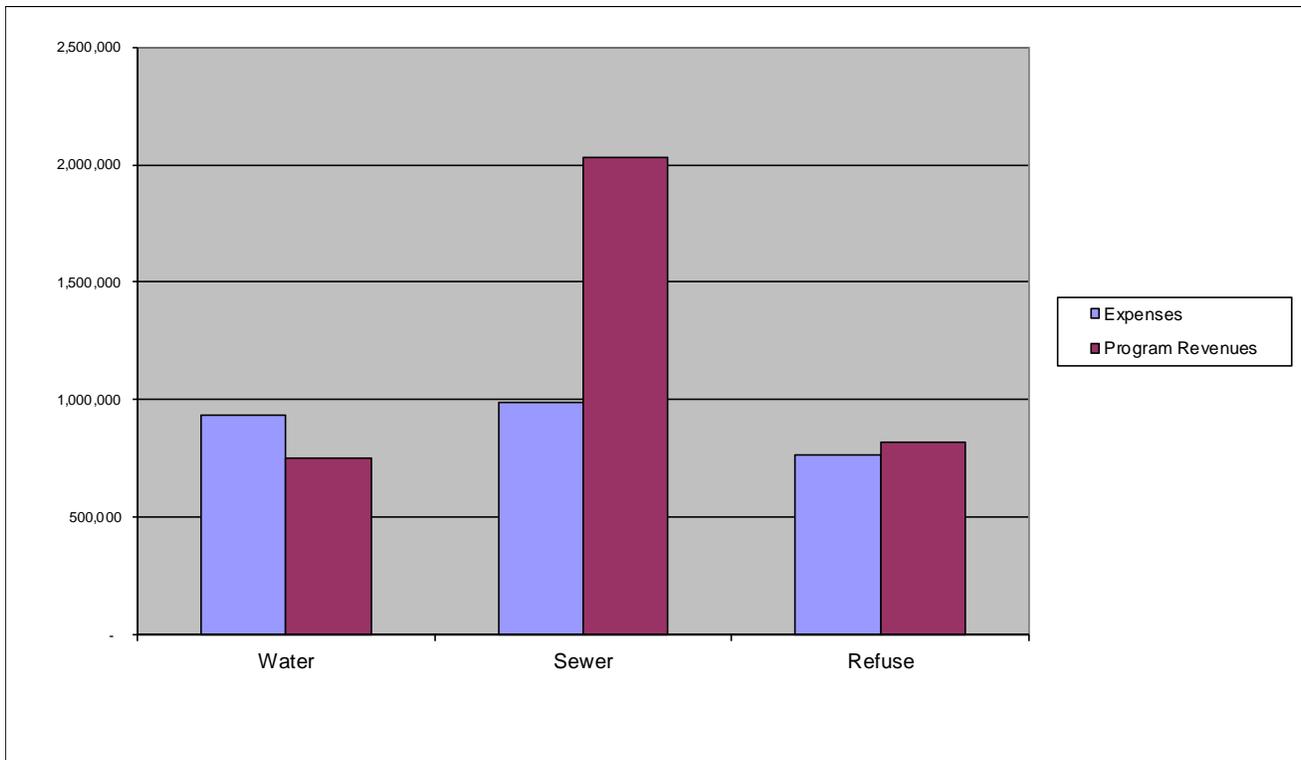
- Administration expenses increased by \$72,560 or 26% to \$355,172 from the prior year. The increase in expenditures were due to rising costs and increased purchases related to supplies, professional services, training, utilities costs, and workers compensation insurance and costs. Professional costs were the largest dollar amount. Increasing by nearly \$40,000. Of that \$40,000 more than \$19,000 was due to election costs that were shifted from the normal account. An average election cost is closer to \$7,000 but there was additional expense because of the nature of the election and the ballot Measures P and Q.
- Law enforcement expenses increased by \$206,391 or 11% to \$2,119,860 from the prior year. Worker's Compensation costs increased by \$16,000 and Health Benefits increased by \$14,000. Another \$16,000 in equipment costs is awaiting reimbursement. Nearly \$30,000 is due depreciation expense related to Police equipment and vehicles. All other changes were minor, offsetting and in line with expectations with the budget.
- Fire services expenses increased by \$26,544 or 5% to \$603,517 from the prior year. This amount is almost entirely caused by equipment purchases which a portion is awaiting grant reimbursement.
- Buildings, grounds and parks expenses increased by \$20,335 or 13% to \$182,229 from the prior year. Utility cost increases of about \$3,000, depreciation expense of about \$7,000 are the bulk of the increases in this department. Other increases are incremental and expected.
- Street construction and maintenance expenses decreased by \$141,286 or 19% to \$609,846 from the prior year. A number of road construction projects on Farmersville Blvd., Visalia Road, Walnut Ave., and Costner are all at various stages of completion and reimbursement (if applicable) that account for this change from the prior year.
- Community development expenses increased by \$2,093,881 or 245% to \$2,948,652 from the prior year. The increase is primarily related to the City's determination that numerous low to moderate income housing loans were not collectible. This increase was offset due to work with the 2014 CDBG grant, 2015 HOME 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.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Business-type activities. Business-type activities increased the City's net position by \$963,448 over the prior fiscal year. Key elements of this decrease are as follows:

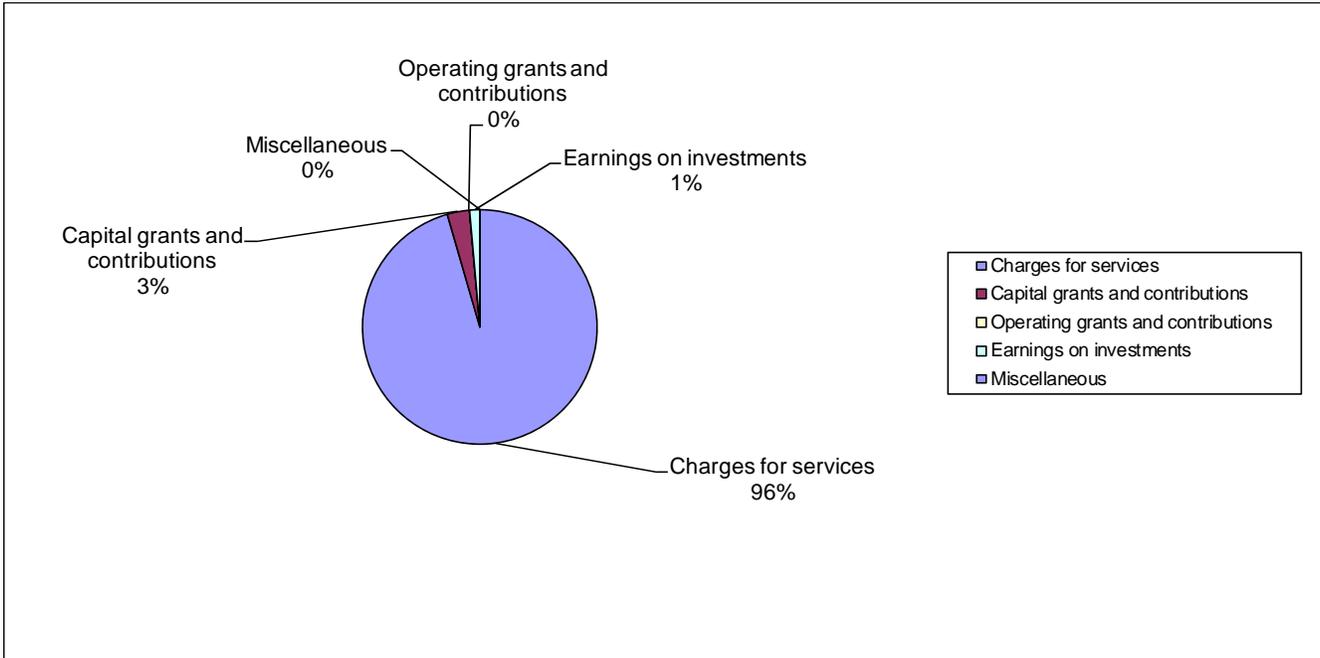
- Charges for services increased by \$275,728 or 9% to \$3,488,833. FY 2017 was the final year of a scheduled 5-year ramp up in sewer utility rates to meet financing revenue requirements associated with the construction of a new wastewater treatment facility. Refuse utility rates increased during the 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 began the first year of a scheduled 5-year ramp up in water utility rates to meet the o-going expenses related to water service delivery. The Water fund has been out spending for at least five years in a row.
- Capital grants and contributions increased by \$33,745 or 43% to \$111,961. The increase 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.
- Miscellaneous decreased by \$49,604 or 99% to \$478. In FY 2017 there was a settlement payment for \$50,000 that was awarded to the City and appropriately applied to the Solid Waste Fund. In FY 2018 there were various refunds in the Water Fund totaling \$478 and the difference between the years is therefore \$49,604.
- All remaining revenue and expense line items displayed above are in-line with prior year expenses reported.

Expenses and Program Revenue – Business-Type Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Revenue by Source – Business-Type Activities



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 \$6,972,411, a decrease of \$297,390 in comparison to the prior year. Of this total amount, \$5,136,023 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$1,836,388 at June 30, 2018. This represents a decrease of \$118,306 from the prior year unassigned fund balance of \$1,954,694 at June 30, 2017.

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 \$3,231,267 and the unassigned fund balance is showing a balance of \$1,942,135 at June 30, 2018.

The fund balance of the City's General Fund increased by \$306,746 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

**Revenue by Source
GENERAL FUND**

	FY2018		FY2017		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Property taxes	\$ 1,282,054	36.35%	\$ 1,247,643	41.41%	\$ 34,411	6.69%
Sales taxes	1,127,213	31.96%	819,790	27.21%	307,423	59.79%
Other taxes	178,306	5.06%	137,321	4.56%	40,985	7.97%
Licenses and permits	59,824	1.70%	74,857	2.48%	(15,033)	-2.92%
Charges for services	194,350	5.51%	201,425	6.69%	(7,075)	-1.38%
Intergovernmental	487,115	13.81%	328,649	10.91%	158,466	30.82%
Fines and penalties	20,949	0.59%	26,693	0.89%	(5,744)	-1.12%
Investment income	(58,478)	-1.66%	(39,178)	-1.30%	(19,300)	-3.75%
Rent	180,148	5.11%	177,112	5.88%	3,036	0.59%
Miscellaneous	55,560	1.58%	38,527	1.28%	17,033	3.31%
Total	\$ 3,527,041	100.00%	\$ 3,012,839	100.00%	\$ 514,202	100.00%

- Property taxes revenue increased by \$34,411, or 7%, from the prior year. Property tax revenue came in slightly higher than those amounts received in the prior fiscal year specifically with Property Tax Increments rerouted from the unwinding of the Redevelopment Agency and Property Tax provided through the swap with Vehicle License Fees.
- Sales taxes revenue increased by \$307,423, or 60%, from the prior year. The increase can primarily be attributed to a jump in regular Bradley Burns Sales Tax of about 30% due to new businesses and higher revenue from increased fuel prices (partially caused by the passage of SB1). Other increases from the 2005 Measure U tax increased by 34% for related reasons, and the first revenue from 2017 Measure P Tax allowing for an additional \$52,484 from April through June.
- Other taxes revenue increased by \$40,985, or 8%, from the prior year. A variety of revenue sources had positive results leading to a healthy increase primarily associated with real estate transfer taxes and franchise fees paid to the City.
- Licenses and permits revenue decreased by \$15,033, or 3%, from the prior year. A dip in the amount of business and rental licenses predominantly explains the decrease in reported revenue.
- Charges for services revenue decreased by \$7,075, or 1%, 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 \$158,466, or 31%, from the prior year. Several reasons explain this increase. The revenue from a funding exchange with Visalia was received late and essentially doubled the allocation for FY 2018. A timing issue with reimbursement from the SAFER grant also helped to increase this dollar amount. However, both of these increases were also offset by decreases due to decreases with the AVOID program and other smaller grants and reimbursement changes.
- Fines and penalties revenue decreased \$5,744, or 1%, 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. Parking fines decrease significantly in FY 2018 compared to the prior year.
- Investment income decreased \$19,300, or 49%, 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 primary 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. Some changes in investments were made which will increase the actual investment return and total return (combined interest and market value) in the near term in coming years.
- Rent revenue increased \$3,036, or 1%, 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 \$17,033, or 3%, from the prior year. The increase was due to receipt of several unrelated one-time revenues during the prior fiscal year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

**Expenditures by Function
GENERAL FUND**

	FY2018		FY2017		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
City council	\$ 2,744	0.08%	\$ 15,756	0.48%	\$ (13,012)	39.78%
Administration	299,448	9.27%	248,513	7.61%	50,935	-155.71%
City properties	34,176	1.06%	34,111	1.05%	65	-0.20%
Law enforcement	1,899,415	58.78%	1,832,345	56.14%	67,070	-205.03%
Fire services	579,880	17.95%	555,614	17.02%	24,266	-74.18%
Animal control	77,054	2.38%	87,613	2.68%	(10,559)	32.28%
Buildings, grounds and parks	115,989	3.59%	114,977	3.52%	1,012	-3.09%
Street construction and maintenance	1,637	0.05%	12,029	0.37%	(10,392)	31.77%
Community development	158,073	4.89%	183,009	5.61%	(24,936)	76.23%
Capital outlay	31,046	0.96%	180,012	5.52%	(148,966)	455.39%
Debt Service	31,805	0.98%	-	0.00%	31,805	-97.23%
Total	\$ 3,231,267	100.00%	\$ 3,263,979	100.00%	\$ (32,712)	100.00%

- City council expenditures decreased by \$13,012, or 83%, from the prior year. The increase is due primarily to cost associated with the election related to the election expense normally charged to this account was transferred to another section of the General Fund. Had the expense for the special election remained expenditures would have increased by over \$6,000 or about 38% from the prior year.
- Administration expenditures increased by \$50,935, 20%, from the prior year. The increase in expenditures were due to rising costs and increased purchases related to supplies, professional services, training, utilities costs, and workers compensation insurance and costs. Election fees not normally associated with this category also accounted for over \$19,000 in expense or about 8% of the increase.
- City properties expenditures increased by \$65, or less than 1%, from the prior year. The increase in expenditures were inconsequential and the account is essentially the same as the prior year.
- Law enforcement expenditures increased by \$67,070, or 4%, from the previous year. Salaries and employee benefits related to police personnel increased during the current fiscal year, which was due primarily to the salary savings due to attrition in the prior period compared to the new hires in FY 2018 to replace them. Workers Compensation and increased PERs UAL payments also added to the increased costs. However, significant progress in reducing repair and maintenance cost as well as overtime cost helped offset these increases.
- Animal control expenditures decreased by \$10,559, or 12%, from the prior year. This was caused by a staffing change and a reduce salary and benefit cost in total.
- Buildings, grounds, and parks expenditures decreased by \$4,688, or 4%, from the prior year. Although the total expenditures were almost identical to the prior year several mixed factors contributed to this, most notably, increases in utility cost and repair costs offset by decreases in salary and professional expense in the same period.
- Street construction and maintenance expenditures decreased by \$4,692, or 74%, from the prior year. Staff fuel costs were reallocated compared to prior year causing this category to appear to decrease dramatically. However, fuels costs overall were higher because of increased gas prices, just not reflected in this category because the reallocation.
- Community development expenditures decreased by \$24,936, or 14%, 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. The first portion of the new phone system for the City was purchased as well as several equipment items for the Police Department that will ultimately be reimbursed by OES in the subsequent fiscal year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental Major Funds

The Federal and State Grants Special Revenue Fund has a total fund balance of (\$105,747), all of which was unrestricted due to the negative fund balance. The net decrease in fund balance during the current year was \$117,261 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 \$3,608,957, all of which is restricted to street construction and maintenance. The net decrease in fund balance during the current fiscal year was \$675,789. 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 a total fund balance of \$11,603, all of which is restricted to community development. The net increase to the fund balance during the current fiscal year was \$11,603 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 \$53,086, all of which is restricted to community development. The net increase in fund balance during the current fiscal year was \$20,806 due to interest earnings and receipt of program income. 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 \$70,039 lower than the final budgetary appropriations. This variance is just over 2% which is within an acceptable margin of error. This means that the City essentially stayed on budget for the period and was very lean and accurate to real life expenditures. This also means that while there were savings in some categories such as Fire Services and Community Development they were eaten up by overages in Police and Administration. Because most of the major department expenses all charge to the General Fund they are all mixed together and can benefit each other but also compete with each other for the same resources.

During the year, actual revenues were \$273,016 lower than the final budgetary estimates. The revenue variance is due to increases in several categories of revenue but mostly sales tax and property tax. Sales tax increased because of new business revenues and increased gas prices while property taxes increased within the exchange for Vehicle License Fees. This overage, while not explicitly budgeted for, was expected. Projections for sales tax remain conservative rather than aggressive as it is easier for the City plan to spend from savings later than to try and make up deficits because budget expectations were too high and actual revenue receipts disappoint. The City is too small and vulnerable to revenue swings of Sales Tax to aggressively project revenues and expand the budget. This would eventually result in painful reductions for the City when revenues fluctuate over time.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018, amounts to \$29,077,409 (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 15 percent.

City of Farmersville's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,369,605	\$ 1,369,605	\$ 953,935	\$ 953,935	\$ 2,323,540	\$ 2,323,540
Infrastructure in progress	8,074,874	9,955,950	2,119,955	1,887,124	10,194,829	11,843,074
Building and improvements	2,786,632	2,509,072	152,061	152,061	2,938,693	2,661,133
Vehicles, machinery and equipment	2,055,529	2,482,001	1,298,765	1,298,765	3,354,294	3,780,766
Infrastructure	12,931,185	7,058,867	-	-	12,931,185	7,058,867
Utility transmission structures	-	-	6,465,593	6,465,593	6,465,593	6,465,593
Less: Accumulated Depreciation	(4,753,391)	(4,763,154)	(4,377,334)	(4,165,982)	(9,130,725)	(8,929,136)
Total	<u>\$ 22,464,434</u>	<u>\$ 18,612,341</u>	<u>\$ 6,612,975</u>	<u>\$ 6,591,496</u>	<u>\$ 29,077,409</u>	<u>\$ 25,203,837</u>

This year's additions included:

▪ Completion of the widening of Visalia Road	\$ 2,690,811
▪ Initial costs towards the Costner Streets improvements	506,819
▪ Completion of the S. Farmersville Blvd improvements	440,331
▪ Acquisition of Artificial Turf Replacement at City Properties	229,063
▪ Continued work on the Wastewater Treatment Plant	226,166
▪ Initial costs towards the Deep Creek improvements	182,137
▪ Continued work on Roundabout project	58,360
▪ Improvements made to N. Farmersville Blvd	83,891
▪ Continued work on a City Hall remodel	48,497
▪ Continued work on Sports Park Phase 2 project	23,020
▪ Improvements made to W. Walnut Ave	20,625
▪ Implementation of work on a Voiceover IP System	9,443
▪ Acquisition of a new lawn mower	8,815
▪ Initial costs for the acquisition of a Street Sweeper	6,665
▪ Initial costs for E. Walnut Ave. improvements	2,558
	<u>\$ 4,537,201</u>

For further information, see Note 5 of the financial statements on pages 45 through 46 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,374,209. Of this amount, \$1,698,073 is the liability of governmental activities and \$1,676,136 is the liability of business-type activities.

City of Farmersville's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Loans payable	\$ -	\$ -	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000
Capital leases payable	89,222	132,000	-	-	89,222	132,000
Compensated Absences	672,028	710,547	93,928	94,891	765,956	805,438
Net pension liability	936,823	789,605	457,208	412,973	1,394,031	1,202,578
Total	<u>\$ 1,698,073</u>	<u>\$ 1,632,152</u>	<u>\$ 1,676,136</u>	<u>\$ 1,632,864</u>	<u>\$ 3,374,209</u>	<u>\$ 3,265,016</u>

Additional information on the City's long-term debt can be found in Note 8 of the financial statements on pages 47 through 48 of this report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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:

- Economic growth rates, inflationary factors, and futures markets volatility.
- Impacts of Measure P and Measure Q revenues over time.
- Revenue impacts of new retailers, changing gas prices, and economic development goals.
- Online transaction taxation legislation and legal battle results.
- Significant reductions in intergovernmental revenue to be received from the State of California.
- Existing two-year employee agreement impacting salary adjustments for the current year.
- Increased participation in Tier 2 employee salary and benefits category.
- Health Care premium increases expected to be about 10 percent annually.
- Increased Liability costs due to extreme losses experienced across California.
- Increased Workers Compensation costs due to Local, State, and National trends.
- Increased CalPERS UAL payments required.

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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 7,572,408	\$ 4,181,295	\$ 11,753,703
Receivables (net of allowance for uncollectibles):			
Consumer	-	339,547	339,547
Intergovernmental	2,700,292	-	2,700,292
Other	13,973	-	13,973
Due from the Successor Agency	222,416	-	222,416
Prepaid expenses	14,803	13,932	28,735
Restricted assets:			
Cash and investments	-	2,366,706	2,366,706
Capital assets (net)	<u>22,464,434</u>	<u>6,612,975</u>	<u>29,077,409</u>
Total assets	<u>32,988,326</u>	<u>13,514,455</u>	<u>46,502,781</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>662,272</u>	<u>246,407</u>	<u>908,679</u>
Total deferred outflows of resources	<u>662,272</u>	<u>246,407</u>	<u>908,679</u>
LIABILITIES			
Accounts payable	797,021	117,806	914,827
Salaries and benefits payable	20,083	6,602	26,685
Retainage payable	204,880	-	204,880
Due to other governments	2,502,949	-	2,502,949
Deposits	650	-	650
Unearned revenue	25,898	-	25,898
Long-term liabilities			
Portion due or payable within one year:			
Compensated absences	134,407	18,785	153,192
Capital leases payable	43,989	-	43,989
Portion due or payable after one year:			
Compensated absences	537,621	75,143	612,764
Loans payable	-	1,125,000	1,125,000
Capital leases payable	45,233	-	45,233
Net pension liability	<u>936,823</u>	<u>457,208</u>	<u>1,394,031</u>
Total liabilities	<u>5,249,554</u>	<u>1,800,544</u>	<u>7,050,098</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>23,879</u>	<u>23,004</u>	<u>46,883</u>
Total deferred inflows of resources	<u>23,879</u>	<u>23,004</u>	<u>46,883</u>
NET POSITION			
Net investment in capital assets	22,375,212	5,487,975	27,863,187
Restricted for:			
Debt service	-	2,366,706	2,366,706
Public safety	222,314	-	222,314
Capital projects	-	1,615,084	1,615,084
Community development	253,136	-	253,136
Capital maintenance	4,244,770	-	4,244,770
Unrestricted	<u>1,281,733</u>	<u>2,467,549</u>	<u>3,749,282</u>
Total net position	<u>\$ 28,377,165</u>	<u>\$ 11,937,314</u>	<u>\$ 40,314,479</u>

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

CITY OF FARMERSVILLE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City council	\$ 2,744	\$ -	\$ -	\$ -	\$ (2,744)	\$ -	\$ (2,744)
Administration	355,172	53,769	-	48,497	(252,906)	-	(252,906)
City properties	53,383	-	-	-	(53,383)	-	(53,383)
Public safety:							
Law enforcement	2,119,860	197,352	169,161	22,038	(1,731,309)	-	(1,731,309)
Fire services	603,517	3,725	285,812	33,422	(280,558)	-	(280,558)
Animal control	79,520	625	-	-	(78,895)	-	(78,895)
Building, grounds and parks	182,229	3,400	-	31,874	(146,955)	-	(146,955)
Street construction and maintenance	609,846	-	462,163	3,106,310	2,958,627	-	2,958,627
Community development	2,948,652	19,652	432,733	-	(2,496,267)	-	(2,496,267)
Interest and fiscal charges	3,250	-	-	-	(3,250)	-	(3,250)
Total governmental activities	<u>6,958,173</u>	<u>278,523</u>	<u>1,349,869</u>	<u>3,242,141</u>	<u>(2,087,640)</u>	<u>-</u>	<u>(2,087,640)</u>
Business-Type Activities:							
Water	934,795	705,062	-	44,880	-	(184,853)	(184,853)
Sewer	991,033	1,965,208	-	67,081	-	1,041,256	1,041,256
Refuse	762,875	818,563	-	-	-	55,688	55,688
Total business-type activities	<u>2,688,703</u>	<u>3,488,833</u>	<u>-</u>	<u>111,961</u>	<u>-</u>	<u>912,091</u>	<u>912,091</u>
Total City of Farmersville	<u>\$ 9,646,876</u>	<u>\$ 3,767,356</u>	<u>\$ 1,349,869</u>	<u>\$ 3,354,102</u>	<u>(2,087,640)</u>	<u>912,091</u>	<u>(1,175,549)</u>
General revenues:							
Taxes:							
Property taxes					1,383,150	-	1,383,150
Sales taxes					1,127,213	-	1,127,213
Franchise taxes					128,556	-	128,556
Other taxes					9,999	-	9,999
Rental income					180,148	-	180,148
Earnings on investments					(4,215)	50,879	46,664
Miscellaneous					93,458	478	93,936
Gain on sale of capital assets					(26,753)	-	(26,753)
Total general revenues					<u>2,891,556</u>	<u>51,357</u>	<u>2,942,913</u>
Changes in net position					803,916	963,448	1,767,364
Net position - beginning (as restated)					<u>27,573,249</u>	<u>10,973,866</u>	<u>38,547,115</u>
Net position - ending					<u>\$ 28,377,165</u>	<u>\$ 11,937,314</u>	<u>\$ 40,314,479</u>

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

FUND FINANCIAL STATEMENTS

CITY OF FARMERSVILLE

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Federal and State Grants Special Revenue Fund</u>	<u>Street Tax Special Revenue Fund</u>	<u>CDBG Program Income Special Revenue Fund</u>	<u>Low and Moderate Income Housing Asset Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,477,079	\$ -	\$ 4,926,002	\$ 16,156	\$ 53,086	\$ 1,100,085	\$ 7,572,408
Receivables:							
Intergovernmental	480,763	271,047	1,918,109	-	-	30,373	2,700,292
Other	13,973	-	-	-	-	-	13,973
Due from other funds	264,377	-	-	-	-	-	264,377
Due from the Successor Agency	222,416	-	-	-	-	-	222,416
Prepaid expenses	14,803	-	-	-	-	-	14,803
Total assets	<u>\$ 2,473,411</u>	<u>\$ 271,047</u>	<u>\$ 6,844,111</u>	<u>\$ 16,156</u>	<u>\$ 53,086</u>	<u>\$ 1,130,458</u>	<u>\$ 10,788,269</u>
LIABILITIES							
Accounts payable	\$ 96,094	\$ 87,417	\$ 526,029	\$ 4,553	\$ -	\$ 82,928	\$ 797,021
Salaries and benefits payable	17,831	-	1,296	-	-	956	20,083
Retainage payable	-	-	204,880	-	-	-	204,880
Due to other governments	-	-	2,502,949	-	-	-	2,502,949
Deposits	650	-	-	-	-	-	650
Due to other funds	-	264,377	-	-	-	-	264,377
Unearned revenue	898	25,000	-	-	-	-	25,898
Total liabilities	<u>115,473</u>	<u>376,794</u>	<u>3,235,154</u>	<u>4,553</u>	<u>-</u>	<u>83,884</u>	<u>3,815,858</u>
FUND BALANCES (DEFICIT)							
Nonspendable:							
Prepaid expenses	14,803	-	-	-	-	-	14,803
Restricted for:							
Public safety	-	-	-	-	-	222,314	222,314
Community development	-	-	-	11,603	53,086	188,447	253,136
Capital maintenance	-	-	3,608,957	-	-	635,813	4,244,770
Assigned to:							
General government	401,000	-	-	-	-	-	401,000
Unassigned	1,942,135	(105,747)	-	-	-	-	1,836,388
Total fund balances (deficit)	<u>2,357,938</u>	<u>(105,747)</u>	<u>3,608,957</u>	<u>11,603</u>	<u>53,086</u>	<u>1,046,574</u>	<u>6,972,411</u>
Total liabilities and fund balances	<u>\$ 2,473,411</u>	<u>\$ 271,047</u>	<u>\$ 6,844,111</u>	<u>\$ 16,156</u>	<u>\$ 53,086</u>	<u>\$ 1,130,458</u>	<u>\$ 10,788,269</u>

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

CITY OF FARMERSVILLE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total fund balances - governmental funds \$ 6,972,411

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 \$27,217,825 and the accumulated depreciation is \$4,753,391. 22,464,434

Pension related deferrals are reported as deferred outflows and inflows of resources. 638,393

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	(89,222)	
Compensated absences	(672,028)	
Net pension liability	<u>(936,823)</u>	
Total long-term liabilities		<u>(1,698,073)</u>

Net position of governmental activities \$ 28,377,165

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Federal and State Grants Special Revenue Fund	Street Tax Special Revenue Fund	CDBG Program Income Special Revenue Fund	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 1,282,054	\$ -	\$ -	\$ -	\$ -	\$ 61,345	\$ 1,343,399
Sales taxes	1,127,213	-	-	-	-	-	1,127,213
Other taxes	178,306	-	-	-	-	-	178,306
Licenses and permits	59,824	-	-	-	-	-	59,824
Developer fees	-	-	-	-	-	73,015	73,015
Charges for services	194,350	-	-	-	-	-	194,350
Intergovernmental	487,115	1,878,265	3,382,760	183,923	-	420,100	6,352,163
Fines and penalties	20,949	-	-	-	-	-	20,949
Investment income	(58,478)	-	42,285	347	-	8,631	(7,215)
Loan repayments	-	-	-	-	20,806	-	20,806
Rent	180,148	-	-	-	-	-	180,148
Miscellaneous revenues	55,560	-	30,319	-	-	7,579	93,458
Total revenues	3,527,041	1,878,265	3,455,364	184,270	20,806	570,670	9,636,416
EXPENDITURES							
Current:							
City council	2,744	-	-	-	-	-	2,744
Administration	299,448	-	-	-	-	-	299,448
City properties	34,176	-	-	-	-	-	34,176
Public safety:							
Law enforcement	1,899,415	-	-	-	-	100,208	1,999,623
Fire services	579,880	-	-	-	-	302	580,182
Animal control	77,054	-	-	-	-	-	77,054
Buildings, grounds and parks	115,989	-	-	-	-	24,551	140,540
Street construction and maintenance	1,637	-	973,879	-	-	85,371	1,060,887
Community development	158,073	2,017,155	-	172,667	-	148,084	2,495,979
Capital outlay	31,046	-	3,157,274	-	-	8,825	3,197,145
Debt service:							
Principal	28,556	-	-	-	-	14,223	42,779
Interest	3,249	-	-	-	-	-	3,249
Total expenditures	3,231,267	2,017,155	4,131,153	172,667	-	381,564	9,933,806
Excess (deficiency) of revenues over (under) expenditures	295,774	(138,890)	(675,789)	11,603	20,806	189,106	(297,390)

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

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	<u>General</u>	<u>Federal and State Grants Special Revenue Fund</u>	<u>Street Tax Special Revenue Fund</u>	<u>CDBG Program Income Special Revenue Fund</u>	<u>Low and Moderate Income Housing Asset Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	10,972	21,629	-	-	-	-	32,601
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,601)</u>	<u>(32,601)</u>
Total other financing sources (uses)	<u>10,972</u>	<u>21,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,601)</u>	<u>-</u>
Net change in fund balances	306,746	(117,261)	(675,789)	11,603	20,806	156,505	(297,390)
Fund balances - beginning (as restated)	<u>2,051,192</u>	<u>11,514</u>	<u>4,284,746</u>	<u>-</u>	<u>32,280</u>	<u>890,069</u>	<u>7,269,801</u>
Fund balances (deficit) - ending	<u>\$ 2,357,938</u>	<u>\$ (105,747)</u>	<u>\$ 3,608,957</u>	<u>\$ 11,603</u>	<u>\$ 53,086</u>	<u>\$ 1,046,574</u>	<u>\$ 6,972,411</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, 2018**

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

Net change in fund balances - total governmental funds \$ (297,390)

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

Capital expenditures	4,255,873
Depreciation expense	(425,524)

The net effect of various transactions involving capital assets (i.e. sales, retirements, transfers, trade-ins, donations).

Transfer of assets to governmental activities	48,497
Disposal of assets	(26,753)

The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure.

Payment of capital leases payable	42,778
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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. 38,518

Certain long-term loans provided to borrowers and written off in the current year as a bad debt expense in the statement of activities are not reconized as expenditures in the governmental funds. (2,742,167)

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. (89,916)

Change in net position of governmental activities \$ 803,916

CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 721,405	\$ 3,169,222	\$ 290,668	\$ 4,181,295
Consumer receivables (net of allowance)	106,368	181,522	51,657	339,547
Prepaid expenses	<u>6,966</u>	<u>6,966</u>	<u>-</u>	<u>13,932</u>
Total current assets	<u>834,739</u>	<u>3,357,710</u>	<u>342,325</u>	<u>4,534,774</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	659,186	1,707,520	-	2,366,706
Capital assets (net)	<u>1,977,916</u>	<u>4,635,059</u>	<u>-</u>	<u>6,612,975</u>
Total noncurrent assets	<u>2,637,102</u>	<u>6,342,579</u>	<u>-</u>	<u>8,979,681</u>
Total assets	<u>3,471,841</u>	<u>9,700,289</u>	<u>342,325</u>	<u>13,514,455</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>98,452</u>	<u>126,462</u>	<u>21,493</u>	<u>246,407</u>
Total deferred outflows of resources	<u>98,452</u>	<u>126,462</u>	<u>21,493</u>	<u>246,407</u>
LIABILITIES				
Current liabilities:				
Accounts payable	42,222	36,030	39,554	117,806
Salaries and benefits payable	2,604	3,320	678	6,602
Compensated absences	<u>7,373</u>	<u>9,589</u>	<u>1,823</u>	<u>18,785</u>
Total current liabilities	<u>52,199</u>	<u>48,939</u>	<u>42,055</u>	<u>143,193</u>
Noncurrent liabilities:				
Compensated absences	29,493	38,356	7,294	75,143
Loans payable	-	1,125,000	-	1,125,000
Net pension liability	<u>182,734</u>	<u>235,156</u>	<u>39,318</u>	<u>457,208</u>
Total noncurrent liabilities	<u>212,227</u>	<u>1,398,512</u>	<u>46,612</u>	<u>1,657,351</u>
Total liabilities	<u>264,426</u>	<u>1,447,451</u>	<u>88,667</u>	<u>1,800,544</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>9,182</u>	<u>11,742</u>	<u>2,080</u>	<u>23,004</u>
Total deferred inflows of resources	<u>9,182</u>	<u>11,742</u>	<u>2,080</u>	<u>23,004</u>
NET POSITION				
Net investment in capital assets	1,977,916	3,510,059	-	5,487,975
Restricted for:				
Debt service	-	751,623	-	751,623
Capital projects	659,187	955,897	-	1,615,084
Unrestricted	<u>659,582</u>	<u>3,149,979</u>	<u>273,071</u>	<u>4,082,632</u>
Total net position	<u>\$ 3,296,685</u>	<u>\$ 8,367,558</u>	<u>\$ 273,071</u>	<u>\$ 11,937,314</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, 2018**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Operating Revenues:				
Charges for services	\$ 705,540	\$ 1,965,208	\$ 818,563	\$ 3,489,311
Operating Expenses:				
Personnel costs	327,183	422,700	74,788	824,671
Utilities	116,607	40,824	-	157,431
Contractual services	76,424	133,296	647,323	857,043
Franchise payments	10,750	12,500	40,046	63,296
Operations and maintenance	246,814	256,998	718	504,530
Depreciation	132,346	79,006	-	211,352
Total operating expenses	910,124	945,324	762,875	2,618,323
Operating income (loss)	(204,584)	1,019,884	55,688	870,988
Nonoperating Revenue (Expenses):				
Connection fees	44,880	54,587	-	99,467
Developer fees	-	11,339	-	11,339
Grant revenue	-	1,155	-	1,155
Investment income	12,840	35,416	2,623	50,879
Interest expense	-	(21,884)	-	(21,884)
Total nonoperating revenues (expenses)	57,720	80,613	2,623	140,956
Income (loss) before capital contributions and transfers	(146,864)	1,100,497	58,311	1,011,944
Capital contributions	(24,671)	(23,825)	-	(48,496)
Change in net position	(171,535)	1,076,672	58,311	963,448
Net position - beginning	3,468,220	7,290,886	214,760	10,973,866
Net position - ending	\$ 3,296,685	\$ 8,367,558	\$ 273,071	\$ 11,937,314

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, 2018**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Cash Flows from Operating Activities				
Cash received from customers	\$ 664,302	\$ 1,942,632	\$ 815,595	\$ 3,422,529
Cash payments to employees	(314,002)	(400,242)	(74,962)	(789,206)
Cash payments to suppliers	(428,179)	(417,400)	(685,833)	(1,531,412)
Net cash provided by (used in) operating activities	<u>(77,879)</u>	<u>1,124,990</u>	<u>54,800</u>	<u>1,101,911</u>
Cash Flows from Capital and Related Financing Activities				
Cash received from connection fees	44,880	54,587	-	99,467
Cash received from developer fees	-	11,339	-	11,339
Cash received from grants	-	1,155	-	1,155
Acquisition of capital assets	(24,671)	(256,656)	-	(281,327)
Interest paid on long-term debt	-	(21,884)	-	(21,884)
Net cash provided by (used in) capital and related financing activities	<u>20,209</u>	<u>(211,459)</u>	<u>-</u>	<u>(191,250)</u>
Cash Flows from Investing Activities				
Interest on investments	12,840	35,416	2,623	50,879
Net cash provided by (used in) investing activities	<u>12,840</u>	<u>35,416</u>	<u>2,623</u>	<u>50,879</u>
Net increase (decrease) in cash and cash equivalents	(44,830)	948,947	57,423	961,540
Cash and cash equivalents, July 1, 2017	<u>1,425,421</u>	<u>3,927,795</u>	<u>233,245</u>	<u>5,586,461</u>
Cash and cash equivalents, June 30, 2018	<u>\$ 1,380,591</u>	<u>\$ 4,876,742</u>	<u>\$ 290,668</u>	<u>\$ 6,548,001</u>

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

Operating income (loss)	\$ (204,584)	\$ 1,019,884	\$ 55,688	\$ 870,988
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>				
Depreciation	132,346	79,006	-	211,352
<i>Change in Assets and Liabilities:</i>				
(Increase) decrease in consumer receivables	(41,238)	(22,576)	(2,968)	(66,782)
(Increase) decrease in pension related deferred outflows of resources	1,256	(703)	3,789	4,342
Increase (decrease) in accounts payable	22,416	26,218	2,254	50,888
Increase (decrease) in salaries and benefits payable	672	1,069	147	1,888
Increase (decrease) in compensated absences	(1,688)	1,203	(478)	(963)
Increase (decrease) in net pension liability	18,490	27,731	(1,986)	44,235
Increase (decrease) in pension related deferred inflows of resources	<u>(5,549)</u>	<u>(6,842)</u>	<u>(1,646)</u>	<u>(14,037)</u>
Net cash provided by (used in) operating activities	<u>\$ (77,879)</u>	<u>\$ 1,124,990</u>	<u>\$ 54,800</u>	<u>\$ 1,101,911</u>

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

CITY OF FARMERSVILLE

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Successor Agency Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 78,134
Cash and cash equivalents - restricted	219,000	-
Accounts receivable	-	703
Capital assets (net)	<u>3,568,827</u>	<u>-</u>
Total assets	<u>3,787,827</u>	<u>78,837</u>
LIABILITIES		
Due to the General Fund	222,416	-
Accounts payable	-	395
Customer deposits	-	69,015
Due to other agencies	-	9,427
Interest payable	20,302	-
Loan payable - current	125,527	-
Loan payable	<u>1,784,395</u>	<u>-</u>
Total liabilities	<u>2,152,640</u>	<u>\$ 78,837</u>
NET POSITION		
Net position held in trust for redevelopment dissolution and other purposes	<u>\$ 1,635,187</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, 2018**

	<u>Successor Agency Trust Fund</u>
ADDITIONS	
Property taxes	\$ <u>199,057</u>
Total additions	<u>199,057</u>
DEDUCTIONS	
Debt payment - interest	81,207
Depreciation	<u>143,585</u>
Total deductions	<u>224,792</u>
Change in net position	(25,735)
Net position - beginning	<u>1,660,922</u>
Net position - ending	<u>\$ 1,635,187</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, 2018

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, 2018**

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.

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.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

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, 2018. 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.

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.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

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, 2018**

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.

Minimum Fund Balance Policy

The City's budget and Fiscal Policy requires the City to strive to maintain a General Fund operating cash balance equal to approximately 25% of the three-year moving average of the General Fund's actual revenue received.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Encumbrances

The City does not use encumbrance accounting.

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, 2018 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	\$ 7,572,408	\$ 4,181,295	\$ 78,134	\$ 11,831,837
Restricted cash and investments	<u>-</u>	<u>2,366,706</u>	<u>219,000</u>	<u>2,585,706</u>
Total cash and investments	<u>\$ 7,572,408</u>	<u>\$ 6,548,001</u>	<u>\$ 297,134</u>	<u>\$ 14,417,543</u>

Cash and investments consist of the following as of June 30, 2018:

Cash on hand	\$ 5,649
Deposits with financial institutions	7,429,697
Investments	<u>6,982,197</u>
Total cash and investments	<u>\$ 14,417,543</u>

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.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the City’s Investment Policy (Continued)

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	\$ 4,059,091	\$ 4,059,091	\$ -	\$ -	\$ -
Money Market	3,850	3,850	-	-	-
Certificates of Deposits	2,417,548	985,071	241,724	1,190,753	-
Federal Agency Securities:					
Federal Home Loan Bank	501,708	-	248,561	253,147	-
Total	\$ 6,982,197	\$ 5,048,012	\$ 490,285	\$ 1,443,900	\$ -

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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	\$ 4,059,091	\$ -	\$ -	\$ 4,059,091
Money Market	3,850	-	-	3,850
Certificates of Deposits	2,417,548	-	-	2,417,548
Federal Agency Securities:				
Federal Home Loan Bank	<u>501,708</u>	<u>-</u>	<u>501,708</u>	<u>-</u>
Total	<u>\$ 6,982,197</u>	<u>\$ -</u>	<u>\$ 501,708</u>	<u>\$ 6,480,489</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. As of June 30, 2018, the City did not have 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.

Custodial Credit Risk

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

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The carrying amounts of the City's cash deposits totaled \$7,429,697 at June 30, 2018. Bank balances were \$7,734,503, 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, 2018, 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, 2018 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, 2018, the City had \$4,059,091 invested in the LAIF, which was reported at fair value.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

<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	\$ 2,417,548	\$ -	\$ 2,417,548	\$ -
Federal Agency Securities	<u>501,708</u>	<u>-</u>	<u>501,708</u>	<u>-</u>
	2,919,256	<u>\$ -</u>	<u>\$ 2,919,256</u>	<u>\$ -</u>
 <u>Unclassified Investments</u>				
State Investment Pool	4,059,091			
Money Market Funds	<u>3,850</u>			
	<u>4,062,941</u>			
 Total Investments	 <u>\$ 6,982,197</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. Additionally, loans to developers of apartments that cater to low and moderate income occupants are not required to be paid back in excess of residual revenue collected for up to 55 years, of which the City has determined in the current fiscal year that based on the circumstances of the lenders, will not be paid back once repayment of the loan becomes due. Deferred payment loans are "non-performing loans" and are not recorded as receivable or unavailable revenue.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)

Nonperforming loans consisted of the following as of June 30, 2018:

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. The City has determined that this loan will be uncollectible. \$ 102,000

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. The City has determined that this loan will be uncollectible. 203,055

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. The City has determined that this loan will be uncollectible. 1,900,000

The City administers a home buyer and housing rehabilitation loan program funded with Community Development Block Grant funds, Home Investment Partnership Program funds, CalHOME funds, and program income received from the collection of prior loans. Under these programs, individuals with incomes below certain levels are eligible to receive low interest loans for the purchase of a home or rehabilitation work on their homes. These nonperforming loans are secured by deeds of trust on the related properties. 9,781,885

The City administered a housing rehabilitation loan program funded by the former Community Redevelopment Agency. Under this program, individuals with incomes below certain levels were eligible to receive low interest loans for rehabilitation work on their homes. These nonperforming loans are secured by deeds of trust on the rehabilitated properties. 328,104

Total loans receivable \$ 12,315,044

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Loans Receivable and Payable

Interfund loans receivable and payable consisted of the following at June 30, 2018:

	Due	
	From	To
Major Funds:		
General Fund	\$ 486,793	\$ -
Federal and State Grants Special Revenue Fund	-	264,377
Successor Agency Trust Fiduciary Fund	-	222,416
	<u> </u>	<u> </u>
Total	<u>\$ 486,793</u>	<u>\$ 486,793</u>

The balances totaling \$486,793 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, 2018:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 10,972	\$ -
Federal and State Grant Special Revenue Fund	21,629	-
Nonmajor Funds:		
CalHOME Special Revenue Fund	-	21,629
AB109 Special Revenue Fund	-	10,972
	<u> </u>	<u> </u>
Total	<u>\$ 32,601</u>	<u>\$ 32,601</u>

Transfers were made to move CalHOME program income to pay for administrative costs related to housing programs, and to cover new loan expenses. Additionally, transfers were made to move AB109 funding to the General Fund to pay for eligible public safety costs.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for governmental activities for the year ended June 30, 2018 is as follows:

	<u>Balances</u> <u>June 30, 2017</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances</u> <u>June 30, 2018</u>
Governmental Activities:				
<i>Nondepreciable assets:</i>				
Land	\$ 1,369,605	\$ -	\$ -	\$ 1,369,605
Infrastructure in progress	<u>9,955,950</u>	<u>4,017,995</u>	<u>(5,899,071)</u>	<u>8,074,874</u>
Total nondepreciable assets	<u>11,325,555</u>	<u>4,017,995</u>	<u>(5,899,071)</u>	<u>9,444,479</u>
<i>Depreciable assets:</i>				
Buildings and improvements	2,509,072	277,560	-	2,786,632
Vehicles, machinery and equipment	2,482,001	8,815	(435,287)	2,055,529
Infrastructure	<u>7,058,867</u>	<u>5,872,318</u>	<u>-</u>	<u>12,931,185</u>
Total depreciable assets	<u>12,049,940</u>	<u>6,158,693</u>	<u>(435,287)</u>	<u>17,773,346</u>
Less accumulated depreciation for:				
Buildings and improvements	1,354,655	75,589	-	1,430,244
Vehicles, machinery and equipment	1,896,104	108,466	(435,287)	1,569,283
Infrastructure	<u>1,512,395</u>	<u>241,469</u>	<u>-</u>	<u>1,753,864</u>
Total accumulated depreciation	<u>4,763,154</u>	<u>425,524</u>	<u>(435,287)</u>	<u>4,753,391</u>
Depreciable assets, net	<u>7,286,786</u>	<u>5,733,169</u>	<u>-</u>	<u>13,019,955</u>
Government activities capital assets, net	<u>\$ 18,612,341</u>	<u>\$ 9,751,164</u>	<u>\$ (5,899,071)</u>	<u>\$ 22,464,434</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of capital assets activity for business-type activities for the year ended June 30, 2018 is as follows:

	<u>Balances</u> <u>June 30, 2017</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances</u> <u>June 30, 2018</u>
Business-Type Activities:				
<i>Nondepreciable assets:</i>				
Land	\$ 953,935	\$ -	\$ -	\$ 953,935
Construction in progress	<u>1,887,124</u>	<u>232,831</u>	<u>-</u>	<u>2,119,955</u>
Total nondepreciable assets	<u>2,841,059</u>	<u>232,831</u>	<u>-</u>	<u>3,073,890</u>
<i>Depreciable assets:</i>				
Buildings and improvements	152,061	-	-	152,061
Vehicles, machinery and equipment	1,298,765	-	-	1,298,765
Utility transmission structures	<u>6,465,593</u>	<u>-</u>	<u>-</u>	<u>6,465,593</u>
Total depreciable assets	<u>7,916,419</u>	<u>-</u>	<u>-</u>	<u>7,916,419</u>
Less accumulated depreciation for:				
Buildings and improvements	75,760	4,945	-	80,705
Vehicles, machinery and equipment	1,172,298	43,989	-	1,216,287
Utility transmission structures	<u>2,917,924</u>	<u>162,418</u>	<u>-</u>	<u>3,080,342</u>
Total accumulated depreciation	<u>4,165,982</u>	<u>211,352</u>	<u>-</u>	<u>4,377,334</u>
Depreciable assets, net	<u>3,750,437</u>	<u>(211,352)</u>	<u>-</u>	<u>3,539,085</u>
Business-type activities capital assets, net	<u>\$ 6,591,496</u>	<u>\$ 21,479</u>	<u>\$ -</u>	<u>\$ 6,612,975</u>

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

<i>Governmental Activities:</i>	
Administration	\$ 46,511
Public safety - law enforcement	72,574
Public safety - fire	6,605
Public safety - animal control	4,104
Street construction and maintenance	192,810
Building, grounds and parks	64,298
Community development	19,415
City properties	19,207
<i>Business-Type Activities:</i>	
Water	132,346
Sewer	<u>79,006</u>
Total	<u>\$ 636,876</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 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.

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 \$537,621 for governmental activities and \$75,143 for business-type activities at June 30, 2018. 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, 2018 was \$672,028 for governmental activities and \$93,928 for business-type activities.

	Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018	Due Within One Year
Governmental Activities	\$ 710,547	\$ 258,929	\$ (297,448)	\$ 672,028	\$ 134,407
Business-Type Activities	\$ 94,891	\$ 6,465	\$ (7,428)	\$ 93,928	\$ 18,785

NOTE 8 – LONG-TERM DEBT

Long-term debt reported in the governmental activities at June 30, 2018 was comprised of the following:

Police Vehicle Leases

On June 26, 2017, the City leased three police vehicles from the Municipal Finance Corporation for \$132,000, bearing an interest rate of 2.8% payable quarterly beginning in September 30, 2017, with the final payment due on June 30, 2020. The balance of the loan at June 30, 2018 was \$89,222.

Annual debt service requirements to maturity of the police vehicle leases are as follows:

	Balance June 30, 2017	Issued	Retired	Balance June 30, 2018	Due Within One Year
Police vehicle leases	\$ 132,000	\$ -	\$ (42,778)	\$ 89,222	\$ 43,989
Total governmental activities	\$ 132,000	\$ -	\$ (42,778)	\$ 89,222	\$ 43,989

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – LONG-TERM DEBT (Continued)

The following is a schedule of the future estimated minimum payments related to the police vehicle leases at June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 43,989	\$ 2,039	\$ 46,028
2020	<u>45,233</u>	<u>794</u>	<u>46,027</u>
Total	<u>\$ 89,222</u>	<u>\$ 2,833</u>	<u>\$ 92,055</u>

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. On September 10, 2018, subsequent to the end of the current fiscal year, the City signed an amendment to the original contract, extending the maturity of the loan to March 20, 2018. 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, 2018 was \$1,125,000.

Long-term debt reported in the business-type activities at June 30, 2018 was comprised of the following:

Bridge Loan

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. On September 10, 2018, subsequent to the end of the current fiscal year, the City signed an amendment to the original contract, extending the payable date of the loan to March 20, 2018. 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, 2018 was \$1,125,000.

	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
CoBank Loan	\$ 1,125,000	\$ -	\$ -	\$ 1,125,000	\$ -
Total business-type activities	<u>\$ 1,125,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,000</u>	<u>\$ -</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 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	7.200%	6.533%

	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	12.242%	9.513%

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

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 \$116,999 for the fiscal year ended June 30, 2018.

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, 2018 were \$281,161.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,394,031.

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, 2017, 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, 2016, rolled forward to June 30, 2017, 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, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.0139%
Proportion - June 30, 2017	0.0141%
Change - Increase (Decrease)	0.0002%

For the year ended June 30, 2018, the City recognized a pension expense of \$406,978. At June 30, 2018, 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	\$ 282,522	\$ -
Changes of assumptions	286,644	21,925
Differences between actual and expected experience	3,999	12,134
Net differences between projected and actual earnings on plan investments	63,666	-
Change in employer's proportion	139,195	12,824
Differences between the employer's actual contributions and the employer's proportionate share of contributions	132,653	-
Total	<u>\$ 908,679</u>	<u>\$ 46,883</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

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

\$282,522 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		
2019	\$	202,253
2020		255,008
2021		159,548
2022		(37,535)
2023		-
Thereafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.00% (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.

Change in Assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 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 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	6.00%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	390.00%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</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, 2018**

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% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
\$ 2,339,936	\$ 1,394,031	\$ 615,702

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, 2018.

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, 2018**

NOTE 10 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2018 (most recent available), is presented as follows:

Total assets	\$ 110,234,633
Total liabilities	<u>92,209,231</u>
Total net position	<u>\$ 18,025,402</u>
Revenues	\$ 46,669,852
Expenses	<u>46,619,021</u>
Change in net position	<u>\$ 50,831</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, 2018**

NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2018 was as follows:

	<u>Balances June 30, 2017</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances June 30, 2018</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	678,513	125,697	-	804,210
Vehicles, machinery and equipment	<u>141,006</u>	<u>17,888</u>	<u>-</u>	<u>158,894</u>
Total accumulated depreciation	<u>819,519</u>	<u>143,585</u>	<u>-</u>	<u>963,104</u>
Depreciable assets, net	<u>3,186,955</u>	<u>(143,585)</u>	<u>-</u>	<u>3,043,370</u>
Capital assets, net	<u>\$ 3,712,412</u>	<u>\$ (143,585)</u>	<u>\$ -</u>	<u>\$ 3,568,827</u>

Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2018 was comprised of the following:

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, 2018 was \$2,030,177.

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

	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
USDA Loan	\$ 2,030,177	\$ -	\$ (120,255)	\$ 1,909,922	\$ 125,527
Total long-term debt	<u>\$ 2,030,177</u>	<u>\$ -</u>	<u>\$ (120,255)</u>	<u>\$ 1,909,922</u>	<u>\$ 125,527</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 – DEFICIT FUND BALANCE

The following funds contained a deficit fund balance or net position as of June 30, 2017. Future revenues or transfers from other funds are expected to offset these deficits.

Governmental Funds

Federal and State Grants Special Revenue Fund \$ 105,747

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Beginning net position of the Governmental Activities and fund balance 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, 2018, as previously reported	\$ 27,501,128	\$ 4,212,625
Prior period adjustments:		
Understatement of revenue	<u> 72,121</u>	<u> 72,121</u>
Fund balance/net position, July 1, 2018, as restated	<u>\$ 27,573,249</u>	<u>\$ 4,284,746</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,264,831	\$ 1,291,469	\$ 1,282,054	\$ (9,415)
Sales taxes	900,750	900,750	1,127,213	226,463
Other taxes	148,000	148,000	178,306	30,306
Licenses and permits	65,800	65,800	59,824	(5,976)
Charges for services	196,775	196,775	194,350	(2,425)
Intergovernmental	377,481	437,032	487,115	50,083
Fines and penalties	23,000	23,000	20,949	(2,051)
Investment income	7,044	7,044	(58,478)	(65,522)
Rent	177,654	177,654	180,148	2,494
Miscellaneous revenue	<u>6,500</u>	<u>6,500</u>	<u>55,560</u>	<u>49,060</u>
Total revenues	<u>3,167,835</u>	<u>3,254,025</u>	<u>3,527,041</u>	<u>273,016</u>
EXPENDITURES				
Current:				
City council	8,500	15,000	2,744	12,256
Administration	308,980	273,871	299,448	(25,577)
City properties	28,440	28,440	34,176	(5,736)
Public safety:				
Law enforcement	1,858,758	1,861,667	1,899,415	(37,748)
Fire services	600,416	621,346	579,880	41,466
Animal control	93,588	83,726	77,054	6,672
Buildings, grounds and parks	120,622	121,436	115,989	5,447
Street construction and maintenance	7,500	1,000	1,637	(637)
Community development	205,968	196,106	158,073	38,033
Capital outlay	60,681	59,714	31,046	28,668
Debt service:				
Principal	39,000	39,000	28,556	10,444
Interest	<u>-</u>	<u>-</u>	<u>3,249</u>	<u>(3,249)</u>
Total expenditures	<u>3,332,453</u>	<u>3,301,306</u>	<u>3,231,267</u>	<u>70,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(164,618)</u>	<u>(47,281)</u>	<u>295,774</u>	<u>343,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>75,000</u>	<u>69,482</u>	<u>10,972</u>	<u>(58,510)</u>
Total other financing sources (uses)	<u>75,000</u>	<u>69,482</u>	<u>10,972</u>	<u>(58,510)</u>
Net change in fund balance	(89,618)	22,201	306,746	284,545
Fund balances - beginning	<u>2,051,192</u>	<u>2,051,192</u>	<u>2,051,192</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,961,574</u>	<u>\$ 2,073,393</u>	<u>\$ 2,357,938</u>	<u>\$ 284,545</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	<u>\$ 2,243,058</u>	<u>\$ 2,243,058</u>	<u>\$ 1,878,265</u>	<u>\$ (364,793)</u>
Total revenues	<u>2,243,058</u>	<u>2,243,058</u>	<u>1,878,265</u>	<u>(364,793)</u>
EXPENDITURES				
Current:				
Community development	<u>2,243,058</u>	<u>2,243,058</u>	<u>2,017,155</u>	<u>225,903</u>
Total expenditures	<u>2,243,058</u>	<u>2,243,058</u>	<u>2,017,155</u>	<u>225,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(138,890)</u>	<u>(138,890)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>21,629</u>	<u>21,629</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,629</u>	<u>21,629</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(117,261)</u>	<u>(117,261)</u>
Fund balances - beginning	<u>11,514</u>	<u>11,514</u>	<u>11,514</u>	<u>-</u>
Fund balances - ending	<u>\$ 11,514</u>	<u>\$ 11,514</u>	<u>\$ (105,747)</u>	<u>\$ (117,261)</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
STREET TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 8,182,330	\$ 8,182,330	\$ 3,382,760	\$ (4,799,570)
Investment income	25,388	25,388	42,285	16,897
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>30,319</u>	<u>30,319</u>
Total revenues	<u>8,207,718</u>	<u>8,207,718</u>	<u>3,455,364</u>	<u>(4,752,354)</u>
EXPENDITURES				
Current:				
Street construction and maintenance	1,000,465	804,480	973,879	(169,399)
Capital outlay	<u>7,214,841</u>	<u>7,569,561</u>	<u>3,157,274</u>	<u>4,412,287</u>
Total expenditures	<u>8,215,306</u>	<u>8,374,041</u>	<u>4,131,153</u>	<u>4,242,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,588)</u>	<u>(166,323)</u>	<u>(675,789)</u>	<u>(509,466)</u>
Net change in fund balance	(7,588)	(166,323)	(675,789)	(509,466)
Fund balances - beginning (restated)	<u>4,284,746</u>	<u>4,284,746</u>	<u>4,284,746</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,277,158</u>	<u>\$ 4,118,423</u>	<u>\$ 3,608,957</u>	<u>\$ (509,466)</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
CDBG PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 70,700	\$ 70,700	\$ 183,923	\$ 113,223
Investment income	<u>83</u>	<u>83</u>	<u>347</u>	<u>264</u>
Total revenues	<u>70,783</u>	<u>70,783</u>	<u>184,270</u>	<u>113,487</u>
EXPENDITURES				
Current:				
Community development	<u>-</u>	<u>-</u>	<u>172,667</u>	<u>(172,667)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>172,667</u>	<u>(172,667)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,783</u>	<u>70,783</u>	<u>11,603</u>	<u>(59,180)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(70,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>
Total other financing sources (uses)	<u>(70,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>
Net change in fund balance	783	15,783	11,603	(4,180)
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 783</u>	<u>\$ 15,783</u>	<u>\$ 11,603</u>	<u>\$ (4,180)</u>

CITY OF FARMERSVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

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, 2018, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Current:			
Administration	\$ 273,871	\$ 299,448	\$ (25,577)
Public safety:			
Law enforcement	1,861,667	1,899,415	(37,748)
Street construction and maintenance	1,000	1,637	(637)
Debt service:			
Interest	-	3,249	(3,249)
Street Tax Special Revenue Fund			
Current:			
Street construction and maintenance	804,480	973,879	(169,399)
CDBG Program Income Special Revenue Fund			
Current:			
Community development	-	172,667	(172,667)

CITY OF FARMERSVILLE

**PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the net pension liability	0.0174%	0.0131%	0.0139%	0.0141%
Proportionate share of the net pension liability	\$ 1,089,879	\$ 895,761	\$ 1,202,578	\$ 1,394,031
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060
Proportionate share of the net pension liability as a percentage of covered payroll	81.28%	54.69%	63.36%	73.41%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	82.38%	79.05%	79.56%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent

*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, 2018
LAST 10 YEARS***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 205,326	\$ 254,448	\$ 264,521	\$ 281,161	\$ 282,522
Contributions in relation to the actuarially determined contributions	<u>205,326</u>	<u>254,448</u>	<u>264,521</u>	<u>281,161</u>	<u>282,522</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060	\$ 1,709,690
Contributions as a percentage of covered payroll	15.31%	15.54%	13.94%	14.81%	16.52%

*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, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 956,174	\$ 143,911	\$ 1,100,085
Intergovernmental receivables	<u>30,373</u>	<u>-</u>	<u>30,373</u>
Total assets	<u>\$ 986,547</u>	<u>\$ 143,911</u>	<u>\$ 1,130,458</u>
LIABILITIES			
Accounts payable	\$ 82,928	\$ -	\$ 82,928
Salaries and benefits payable	<u>956</u>	<u>-</u>	<u>956</u>
Total liabilities	<u>83,884</u>	<u>-</u>	<u>83,884</u>
FUND BALANCES			
Restricted for:			
Public safety	222,314	-	222,314
Community development	188,447	-	188,447
Capital maintenance	<u>491,902</u>	<u>143,911</u>	<u>635,813</u>
Total fund balances	<u>902,663</u>	<u>143,911</u>	<u>1,046,574</u>
Total liabilities and fund balances	<u>\$ 986,547</u>	<u>\$ 143,911</u>	<u>\$ 1,130,458</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 61,345	\$ -	\$ 61,345
Developer fees	57,545	15,470	73,015
Intergovernmental	420,100	-	420,100
Investment income	7,406	1,225	8,631
Miscellaneous revenue	<u>7,579</u>	<u>-</u>	<u>7,579</u>
 Total revenues	 <u>553,975</u>	 <u>16,695</u>	 <u>570,670</u>
 EXPENDITURES			
Current:			
Public safety:			
Law enforcement	100,208	-	100,208
Fire services	302	-	302
Buildings, grounds and parks	24,551	-	24,551
Street construction and maintenance	85,371	-	85,371
Community development	148,084	-	148,084
Capital outlay	8,825	-	8,825
Debt service:			
Principal	<u>14,223</u>	<u>-</u>	<u>14,223</u>
 Total expenditures	 <u>381,564</u>	 <u>-</u>	 <u>381,564</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>172,411</u>	 <u>16,695</u>	 <u>189,106</u>
 Other Financing Sources (Uses):			
Transfers out	<u>(32,601)</u>	<u>-</u>	<u>(32,601)</u>
 Total other financing sources (uses)	 <u>(32,601)</u>	 <u>-</u>	 <u>(32,601)</u>
 Net changes in fund balances	 139,810	 16,695	 156,505
 Fund balances - beginning	 <u>762,853</u>	 <u>127,216</u>	 <u>890,069</u>
 Fund balances - ending	 <u>\$ 902,663</u>	 <u>\$ 143,911</u>	 <u>\$ 1,046,574</u>

CITY OF FARMERSVILLE

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund	Police Grants	State and County Asset Forfeiture	CalHOME Program Income	HOME Program Income	AB 109	Totals
ASSETS										
Cash and cash equivalents	\$ 32,076	\$ 96,080	\$ 354,592	\$ 27,941	\$ 186,351	\$ 6,342	\$ 178,062	\$ 74,730	\$ -	\$ 956,174
Intergovernmental receivables	19,084	1,413	-	-	9,876	-	-	-	-	30,373
Total assets	<u>\$ 51,160</u>	<u>\$ 97,493</u>	<u>\$ 354,592</u>	<u>\$ 27,941</u>	<u>\$ 196,227</u>	<u>\$ 6,342</u>	<u>\$ 178,062</u>	<u>\$ 74,730</u>	<u>\$ -</u>	<u>\$ 986,547</u>
LIABILITIES										
Accounts payable	\$ 1,338	\$ 9,740	\$ -	\$ 7,505	\$ -	\$ -	\$ -	\$ 64,345	\$ -	\$ 82,928
Salaries and benefits payable	-	265	-	-	691	-	-	-	-	956
Total liabilities	<u>1,338</u>	<u>10,005</u>	<u>-</u>	<u>7,505</u>	<u>691</u>	<u>-</u>	<u>-</u>	<u>64,345</u>	<u>-</u>	<u>83,884</u>
FUND BALANCES										
Restricted for:										
Public safety	-	-	-	20,436	195,536	6,342	-	-	-	222,314
Community development	-	-	-	-	-	-	178,062	10,385	-	188,447
Capital maintenance	49,822	87,488	354,592	-	-	-	-	-	-	491,902
Total fund balances	<u>49,822</u>	<u>87,488</u>	<u>354,592</u>	<u>20,436</u>	<u>195,536</u>	<u>6,342</u>	<u>178,062</u>	<u>10,385</u>	<u>-</u>	<u>902,663</u>
Total liabilities and fund balances	<u>\$ 51,160</u>	<u>\$ 97,493</u>	<u>\$ 354,592</u>	<u>\$ 27,941</u>	<u>\$ 196,227</u>	<u>\$ 6,342</u>	<u>\$ 178,062</u>	<u>\$ 74,730</u>	<u>\$ -</u>	<u>\$ 986,547</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund	Police Grants	State and County Asset Forfeiture	CalHOME Program Income	HOME Program Income	AB 109	Totals
REVENUES										
Property taxes	\$ -	\$ 61,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,345
Developer fees	3,400	-	54,145	-	-	-	-	-	-	57,545
Intergovernmental	31,874	-	-	-	139,416	-	170,468	78,342	-	420,100
Investment income	242	813	2,997	282	1,552	47	1,308	165	-	7,406
Miscellaneous revenue	-	-	-	-	5,246	2,333	-	-	-	7,579
Total revenues	35,516	62,158	57,142	282	146,214	2,380	171,776	78,507	-	553,975
EXPENDITURES										
Current:										
Public safety:										
Law enforcement	-	-	-	-	100,208	-	-	-	-	100,208
Fire services	-	-	302	-	-	-	-	-	-	302
Buildings, grounds and parks	24,551	-	-	-	-	-	-	-	-	24,551
Street construction and maintenance	-	85,371	-	-	-	-	-	-	-	85,371
Community development	-	-	-	-	-	-	74,657	73,427	-	148,084
Capital outlay	-	-	8,825	-	-	-	-	-	-	8,825
Debt service:										
Principal	-	-	-	-	14,223	-	-	-	-	14,223
Total expenditures	24,551	85,371	9,127	-	114,431	-	74,657	73,427	-	381,564
Excess (deficiency) of revenues over (under) expenditures	10,965	(23,213)	48,015	282	31,783	2,380	97,119	5,080	-	172,411
Other Financing Sources (Uses):										
Transfers out	-	-	-	-	-	-	(21,629)	-	(10,972)	(32,601)
Total other financing sources (uses)	-	-	-	-	-	-	(21,629)	-	(10,972)	(32,601)
Net changes in fund balances	10,965	(23,213)	48,015	282	31,783	2,380	75,490	5,080	(10,972)	139,810
Fund balances - beginning	38,857	110,701	306,577	20,154	163,753	3,962	102,572	5,305	10,972	762,853
Fund balances - ending	\$ 49,822	\$ 87,488	\$ 354,592	\$ 20,436	\$ 195,536	\$ 6,342	\$ 178,062	\$ 10,385	\$ -	\$ 902,663

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2018

	<u>Storm Drain Development Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>143,911</u>
Total assets	\$ <u><u>143,911</u></u>
FUND BALANCES	
Restricted for:	
Capital maintenance	\$ <u>143,911</u>
Total fund balances	<u>143,911</u>
Total liabilities and fund balances	\$ <u><u>143,911</u></u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Storm Drain Development Fund</u>
REVENUES	
Developer fees	\$ 15,470
Investment income	<u>1,225</u>
Total revenues	<u>16,695</u>
EXPENDITURES	
Current:	
Street construction and maintenance	<u>-</u>
Total expenditures	<u>-</u>
Net change in fund balance	16,695
Fund balance - beginning	<u>127,216</u>
Fund balance - ending	<u><u>\$ 143,911</u></u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

	<u>Customer Utility Deposit</u>	<u>PD Hold Unadjudicated Evidence</u>	<u>Live Scan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 69,344	\$ 11,051	\$ (2,261)	\$ 78,134
Accounts receivable	<u>-</u>	<u>-</u>	<u>703</u>	<u>703</u>
Total Assets	<u>69,344</u>	<u>11,051</u>	<u>(1,558)</u>	<u>78,837</u>
LIABILITIES				
Accounts payable	329	-	66	395
Customer deposits	69,015	-	-	69,015
Due to other agencies	<u>-</u>	<u>11,051</u>	<u>(1,624)</u>	<u>9,427</u>
Total Liabilities	<u>\$ 69,344</u>	<u>\$ 11,051</u>	<u>\$ (1,558)</u>	<u>\$ 78,837</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

	Customer Utility Deposit			Balance June 30, 2018
	Balance June 30, 2017	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 59,822	\$ 21,610	\$ (12,088)	\$ 69,344
Total assets	<u>\$ 59,822</u>	<u>\$ 21,610</u>	<u>\$ (12,088)</u>	<u>\$ 69,344</u>
LIABILITIES				
Accounts payable	\$ 200	\$ 1,890	\$ (1,761)	\$ 329
Customer deposits	<u>59,622</u>	<u>21,810</u>	<u>(12,417)</u>	<u>69,015</u>
Total liabilities	<u>\$ 59,822</u>	<u>\$ 23,700</u>	<u>\$ (14,178)</u>	<u>\$ 69,344</u>

	PD Hold Unadjudicated Evidence			Balance June 30, 2018
	Balance June 30, 2017	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 970	\$ 10,081	\$ -	\$ 11,051
Total assets	<u>\$ 970</u>	<u>\$ 10,081</u>	<u>\$ -</u>	<u>\$ 11,051</u>
LIABILITIES				
Due to other agencies	\$ 970	\$ 10,081	\$ -	\$ 11,051
Total liabilities	<u>\$ 970</u>	<u>\$ 10,081</u>	<u>\$ -</u>	<u>\$ 11,051</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018
(Continued)**

	Live Scan			Balance June 30, 2018
	Balance June 30, 2017	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ (1,246)	\$ 2,138	\$ (3,153)	\$ (2,261)
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ (543)</u>	<u>\$ 2,138</u>	<u>\$ (3,153)</u>	<u>\$ (1,558)</u>
LIABILITIES				
Accounts payable	\$ 119	\$ 3,300	\$ (3,353)	\$ 66
Due to other agencies	<u>(662)</u>	<u>2,257</u>	<u>(3,219)</u>	<u>(1,624)</u>
Total liabilities	<u>\$ (543)</u>	<u>\$ 5,557</u>	<u>\$ (6,572)</u>	<u>\$ (1,558)</u>

	Total			Balance June 30, 2018
	Balance June 30, 2017	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 59,546	\$ 33,829	\$ (15,241)	\$ 78,134
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ 60,249</u>	<u>\$ 33,829</u>	<u>\$ (15,241)</u>	<u>\$ 78,837</u>
LIABILITIES				
Accounts payable	\$ 319	\$ 5,190	\$ (5,114)	\$ 395
Customer deposits	59,622	21,810	(12,417)	69,015
Due to other agencies	<u>308</u>	<u>12,338</u>	<u>(3,219)</u>	<u>9,427</u>
Total liabilities	<u>\$ 60,249</u>	<u>\$ 39,338</u>	<u>\$ (20,750)</u>	<u>\$ 78,837</u>