

CITY OF FARMERSVILLE
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2019

CITY OF FARMERSVILLE

JUNE 30, 2019

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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, 2019, 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, 2019, 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 3-16, 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 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 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 Price & Company

Clovis, California
December 26, 2019

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. 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 \$50,844,518 (net position). Of this amount, \$8,336,552 (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 \$10,530,039 from the prior fiscal year. Governmental activities increased the City's total net position by \$4,256,114 and business-type activities increased by \$6,273,925. The overall increase in net position is due primarily to an increase in Capital Assets and a decrease in Short-Term Liabilities. A \$3,515,823 addition in Capital Assets are directly related to several significant project completions during the year related to major street and park improvements. A decrease in Short-Term Liabilities is also related to completion of projects through the repayment of funds to Tulare County Association of Governments (TCAG). TCAG had advanced funds to the City to assist with cashflow constraints relative to the construction of the Roundabout Project near the freeway and Noble Ave in addition to funding a portion of the project. The repayment totaled \$2,502,949 and is the final true-up between the portion TCAG funded and the portion that was advanced to assist the cashflow of the City. Other fluctuations in these categories are due to the ongoing operations and current projects of the City. As the City continues with this progression of large projects, its balance sheet and overall value will continue to grow.

At June 30, 2019, the City's governmental funds reported combined ending fund balances of \$7,511,601 an increase of \$539,190 in comparison with the prior year. Changes in several categories affected the combined fund balance of the City in FY 2019. 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 currently underway or recently completed on Farmersville Blvd, Visalia Road, and Walnut Ave. As those projects advance, they are each in a different phase of spending and reimbursement. Miscellaneous adjustments, reclassifications, and delay in grant reimbursements in these governmental funds account the bulk of this net increase. More specific data regarding these balances can be seen on the Balance Sheet – Governmental Funds on page 22 of this report.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,899,398. This represents a \$42,737 decrease to the unassigned fund balance of \$1,942,135 reported at June 30, 2018. Compared to the prior year, FY 2019 ended relatively unchanged. While revenues for the period tracked well, thus increasing the cash position of the General Fund by \$154,046 there were some significant write-offs with the Successor Agency and other miscellaneous accounts that reduced the overall fund balance for the period. This decrease only represents a 1.5% decline in unrestricted and available cash, and with the write-offs complete, the City is in a better financial position for the long-run.

The City's total long-term debt of \$6,140,980 increased by \$2,785,556 compared to last year. The City has increased its debt position significantly in the last year primarily through the debt burden related to the Wastewater Treatment Plant Expansion Project. While compensated absences payable and net pension liability decreased, they were both overshadowed by the net addition of \$3,205,736 in long-term debt for the Wastewater Treatment Expansion project. This figure will continue to grow significantly until the project's completion in Fiscal Year 2021. The City does also plan to continue in the capital leasing program for Police Department equipment which will add to these amounts, but for a much shorter time period. The Long-Term Liability related to the Wastewater Treatment Plant Expansion project is two separate debt instruments for 30 and 40 years respectively whereas the capital lease program is typically for three years at a time.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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.

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 \$50,198,718 at June 30, 2019.

**Condensed Statement of Net Position
June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 7,763,508	\$ 10,523,892	\$ 11,312,203	\$ 6,901,480	\$ 19,075,711	\$ 17,425,372
Capital assets	25,980,257	22,464,434	13,327,729	6,612,975	39,307,986	29,077,409
Total assets	<u>33,743,765</u>	<u>32,988,326</u>	<u>24,639,932</u>	<u>13,514,455</u>	<u>58,383,697</u>	<u>46,502,781</u>
Deferred outflows of resources	<u>522,738</u>	<u>662,272</u>	<u>190,833</u>	<u>246,407</u>	<u>713,571</u>	<u>908,679</u>
Current liabilities	251,907	3,551,481	1,792,092	143,193	2,043,999	3,694,674
Long-term liabilities outstanding	1,356,502	1,698,073	4,784,478	1,657,351	6,140,980	3,355,424
Total liabilities	<u>1,608,409</u>	<u>5,249,554</u>	<u>6,576,570</u>	<u>1,800,544</u>	<u>8,184,979</u>	<u>7,050,098</u>
Deferred inflows of resources	<u>24,815</u>	<u>23,879</u>	<u>42,956</u>	<u>23,004</u>	<u>67,771</u>	<u>46,883</u>
Net position:						
Net investment in capital assets	25,935,024	22,375,212	9,066,993	5,487,975	35,002,017	27,863,187
Restricted	5,211,203	4,720,220	2,294,746	3,981,790	7,505,949	8,702,010
Unrestricted	1,487,052	1,281,733	6,849,500	2,467,549	8,336,552	3,749,282
Total net position	<u>\$ 32,633,279</u>	<u>\$ 28,377,165</u>	<u>\$ 18,211,239</u>	<u>\$ 11,937,314</u>	<u>\$ 50,844,518</u>	<u>\$ 40,314,479</u>

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The largest portion of the City's net position, \$35,002,017 (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 \$8,336,552 (16 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 \$7,505,949 (15 percent) represents resources that are subject to external restrictions on their use.

Business-type activities increased the City's net position by \$6,273,925, accounting for 60% of the total increase in the net position of the City of Farmersville as compared to the prior fiscal year.

**Condensed Statement of Activities
For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 530,952	\$ 278,523	\$ 3,741,290	\$ 3,488,833	\$ 4,272,242	\$ 3,767,356
Operating grants and contributions	920,232	1,349,869	10,000	-	930,232	1,349,869
Capital grants and contributions	1,063,844	3,242,141	5,271,593	111,961	6,335,437	3,354,102
General revenues:						
Property taxes	1,369,636	1,383,150	-	-	1,369,636	1,383,150
Sales taxes	1,522,607	1,127,213	-	-	1,522,607	1,127,213
Franchise taxes	140,606	128,556	-	-	140,606	128,556
Other taxes	8,332	9,999	-	-	8,332	9,999
Motor vehicle in-lieu	-	-	-	-	-	-
Rental income	180,246	180,148	-	-	180,246	180,148
Earning on investments	191,628	(4,215)	94,765	50,879	286,393	46,664
Miscellaneous	78,965	93,458	368	478	79,333	93,936
Gain on sale of capital assets	-	(26,753)	-	-	-	(26,753)
Total revenues	<u>6,007,048</u>	<u>7,762,089</u>	<u>9,118,016</u>	<u>3,652,151</u>	<u>15,125,064</u>	<u>11,414,240</u>
Expenses:						
City council	11,113	2,744	-	-	11,113	2,744
Administration	404,241	355,172	-	-	404,241	355,172
City properties	89,989	53,383	-	-	89,989	53,383
Public safety:						
Law enforcement	2,157,407	2,119,860	-	-	2,157,407	2,119,860
Fire services	778,747	603,517	-	-	778,747	603,517
Animal control	75,115	79,520	-	-	75,115	79,520
Buildings, grounds and parks	190,361	182,229	-	-	190,361	182,229
Street construction and maintenance	957,868	609,846	-	-	957,868	609,846
Community development	790,503	2,948,652	-	-	790,503	2,948,652
Interest and fiscal charges	2,039	3,250	-	-	2,039	3,250
Water	-	-	902,924	934,795	902,924	934,795
Sewer	-	-	999,771	991,033	999,771	991,033
Refuse	-	-	803,383	762,875	803,383	762,875
Total expenses	<u>5,457,383</u>	<u>6,958,173</u>	<u>2,706,078</u>	<u>2,688,703</u>	<u>8,163,461</u>	<u>9,646,876</u>
Change in net position before transfers and extraordinary item	549,665	803,916	6,411,938	963,448	6,961,603	1,767,364
Transfers	138,013	-	(138,013)	-	-	-
Extraordinary item (see note 13)	<u>3,568,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,568,436</u>	<u>-</u>
Change in net position	4,256,114	803,916	6,273,925	963,448	10,530,039	1,767,364
Net position - beginning (restated)	<u>28,377,165</u>	<u>27,573,249</u>	<u>11,937,314</u>	<u>10,973,866</u>	<u>40,314,479</u>	<u>38,547,115</u>
Net position - ending	<u>\$ 32,633,279</u>	<u>\$ 28,377,165</u>	<u>\$ 18,211,239</u>	<u>\$ 11,937,314</u>	<u>\$ 50,844,518</u>	<u>\$ 40,314,479</u>

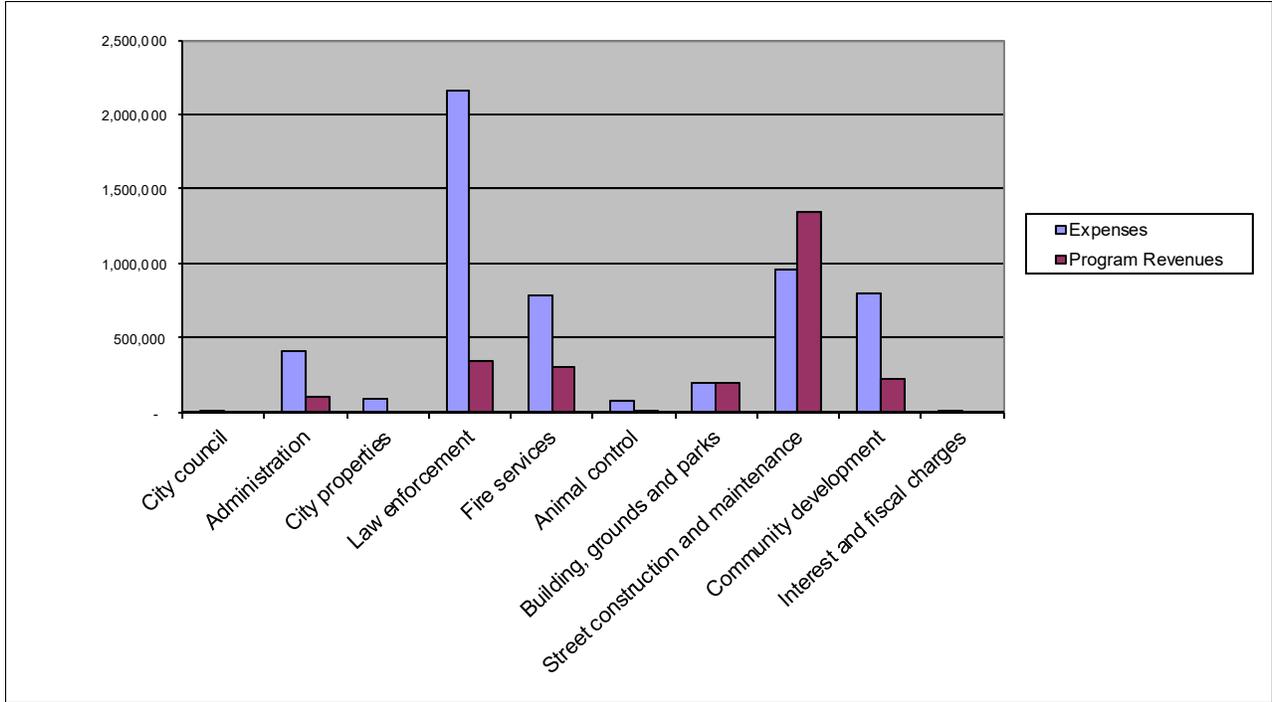
**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

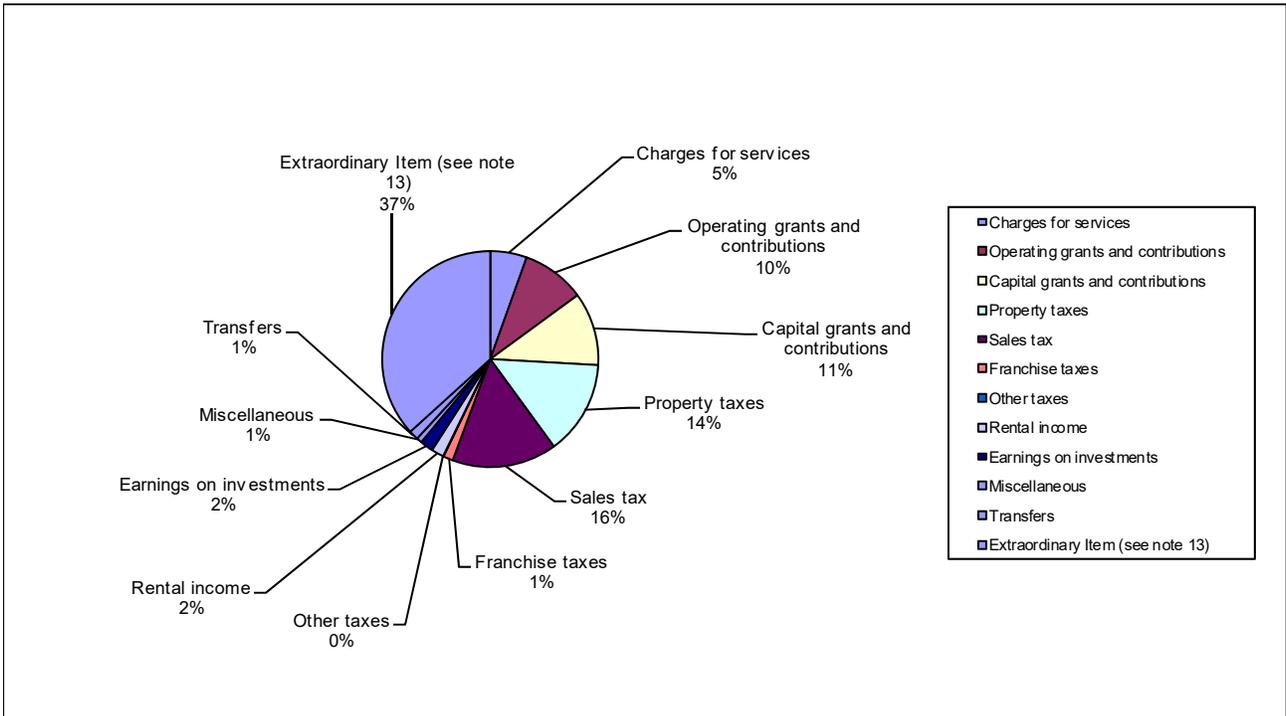
- Charges for services increased by \$252,429 or 91% to \$530,952 from the prior year. This is due mostly to Fire Personnel responding to State-wide disaster-related calls for mutual aid. The aid is repaid at a State determined rate which bought in additional revenues compared to the prior year.
- Governmental operating grants and contributions decreased for a second year in a row by \$429,637, or 32%, from the prior year to \$920,232 (Fiscal Year 2018 was at \$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. Notable changes are the exchange with Visalia for STP funds ceasing, and the expiration of the SAFER grant supporting some Fire Department positions.
- Capital Grants and Contributions decreased by \$2,178,297 or 67% to \$1,063,844 from the prior year. Similar to the governmental operating grants, this decrease is primarily caused by the change in cashflows with Measure R reimbursed projects. As the City completes the projects that are reimbursed from these funding agencies will naturally decreased. However, the City's Capital Improvement Plan indicates that more road projects funded by Measure will occur in future years and so this figure is anticipated to increase again at that time.
- Sales tax revenues increased \$395,394, or 35%, from the prior year to \$1,522,607. This is the second significant increase in Sale tax revenues in a row (Fiscal Year 2018 increased by 60%). There are a number of factors impacting this revenue source the most significant of which are Measure P receipts, increases in gas prices, and the impact of the South Dakota v. Wayfair result regarding taxation of online purchases. Measure P is a ½ cent sales tax increase that took effect in April 2019 and specifically raises the sales tax for Farmersville. Increases in gas prices, due to changing market conditions as well as increases in State gas taxes raise the price overall and revenues for the City. Finally, online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City.
- Franchise fees increased by \$12,050 or 9% compared to prior year again this year to total \$140,606. 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.
- Earnings on investments increased by \$195,843 or 4646% to \$191,628 from the prior year. The City operates an investment strategy of buy and hold with most investments. This means that at time when the interest rates are not favorable to the market value of these investments the securities will lose value. However, when the interest rate environment changes the value of the investments will increase. Nevertheless, the ultimate value of the security remains unchanged and the interest / dividend rate remains unchanged. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large upswing in value this year is a reaction to the large downswing in Fiscal Year 2018.
- The Extraordinary Item category increased by \$3,568,436 or 100% from the prior year. This was a one-time transfer of assets to correct the placement of government-use assets previously held by the Successor Agency to the City of Farmersville's Redevelopment Agency with the City instead. While this move should have happened years ago, management decided to correct the oversight at once and move the assets this year thus creating this Extraordinary Item. There will not be another item like this in future years as this accounts for all the assets left in the Successor Agency.
- All remaining revenue types displayed above are in-line with prior year revenues reported.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

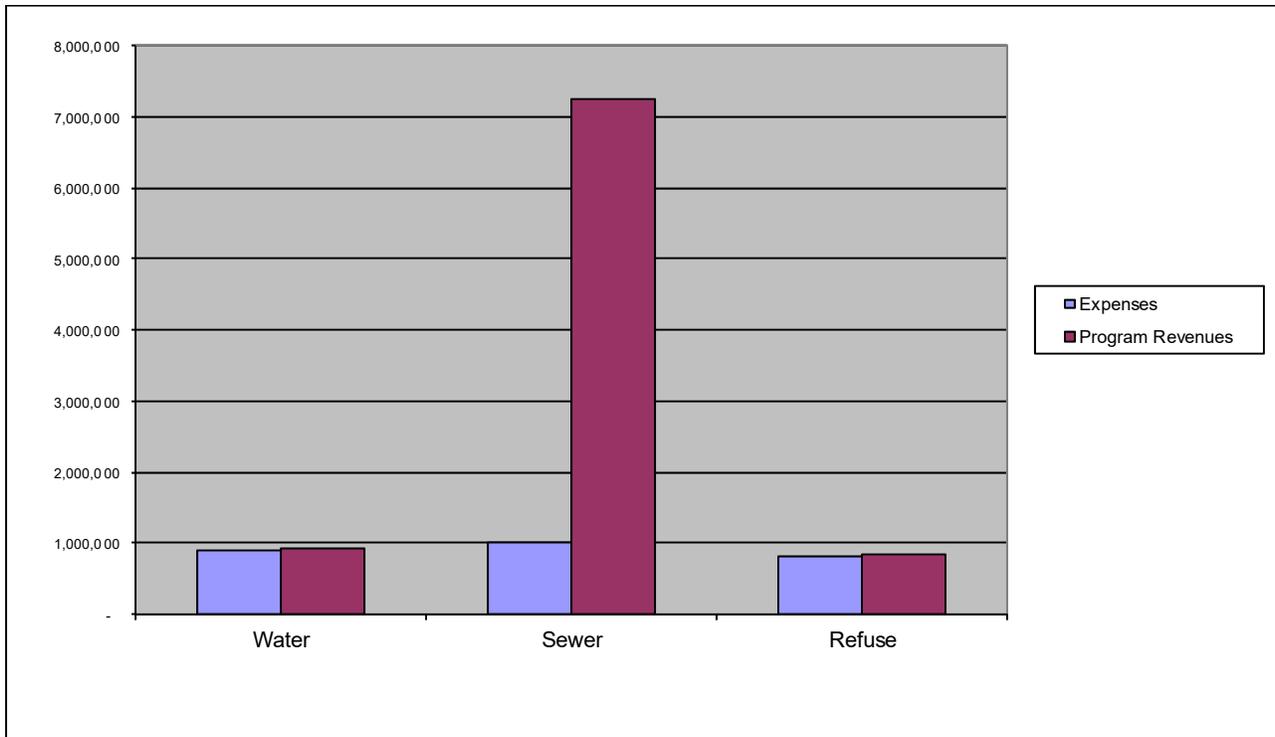
- City Council Expense increased by \$8,369 or 305% to \$11,113 from the prior year due to increased Council Member activity related to travel and related reimbursements.
- City Properties expenses increased by \$36,606 or 69% to \$89,989. Expenses in this category relates to changes to internet services, equipment, and repairs made at the different locations across the City that are rented out to non-profit organizations.
- Law enforcement expenses increased by \$37,547 or 2% to \$2,157,407 from the prior year. While this is not a significant change it is substantial in that it remains basically unchanged. Law Enforcement remains the City's largest operational expense and its smooth operation is important to the City's financial wellbeing.
- Fire services expenses increased by \$175,230 or 29% to \$778,747 from the prior year. This amount is caused by the expiration of the SAFER grant which supported two fire department positions. The grant funding ran out while the positions were maintained until the end of the year thus creating a larger expense than in prior years without off-setting revenues. Additionally, with the added revenue of Fire Personnel responding to State-wide disaster-related calls for mutual aid also comes additional expense of paying personnel for additional coverage while staff is serving elsewhere.
- Street construction and maintenance expenses increased by \$348,022 or 57% to \$957,868 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 decreased by \$2,158,149 or 73% to \$790,503 from the prior year. The decrease is primarily related to the City's completion of grant-funded projects related to the Water Meter Installation and substantial completion of the CDBG 2014 and HOME 2015 grants as well as work started on the ADA compliance planning grant, among others.
- 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, 2019**

Business-type activities. Business-type activities increased the City's net position by \$6,273,925 over the prior fiscal year. Key elements of this decrease are as follows:

- Charges for services increased by \$252,457 or 7% to \$3,741,290. Fiscal Year 2019 was the first year of a scheduled 5-year ramp up in Water Utility rates to meet the ongoing expenses related to water service delivery. The Water fund has been out spending for at least five years in a row but this is anticipated to change with the implementation of the new rates and the new structure of metered billing rather than a flat residential rate.
- Capital grants and contributions increased by \$5,159,632 or 4608% to \$5,271,593. This massive increase is directly related to initiation of the Wastewater Plant Expansion project which is funded by the City's increased rates (final rate increase was in Fiscal Year 2018) and financing from the United States Department of Agriculture and The California Department of Water Resources.
- All remaining revenue and expense line items displayed above are in-line with prior year expenses reported.

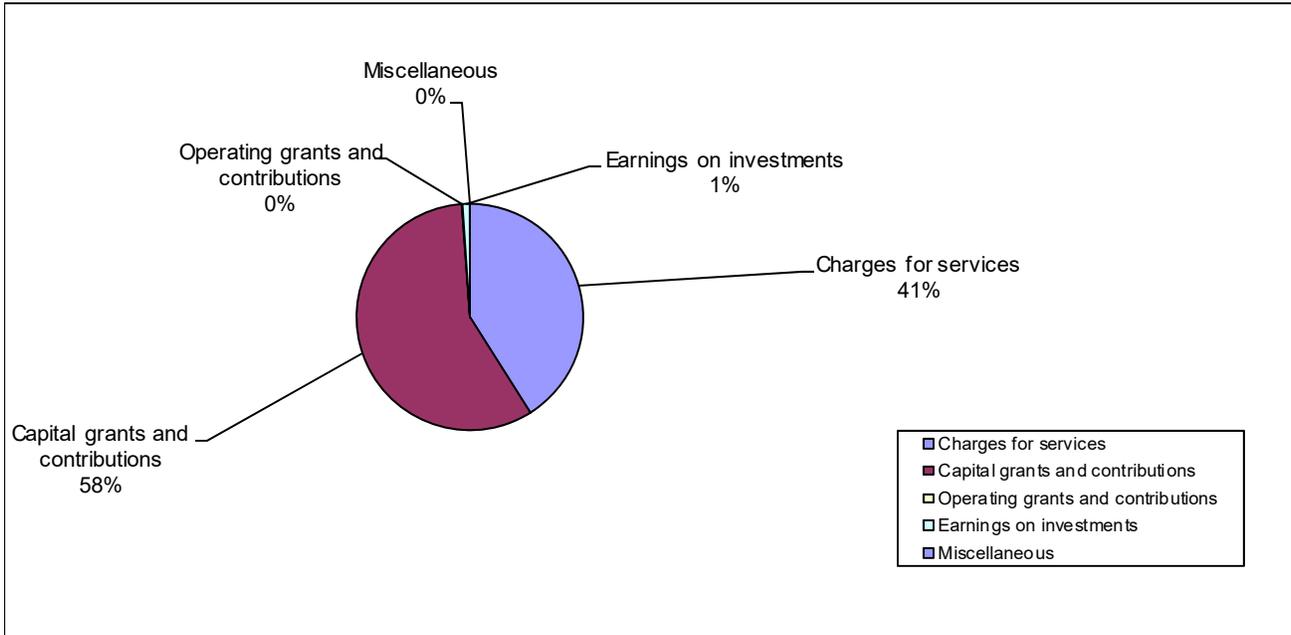
Expenses and Program Revenue – Business-Type Activities



While the expenditures in the Sewer Enterprise fund appear to be significantly lower than revenues, as seen in this chart, this is due to the capitalization of costs incurred during the year related to the Wastewater Treatment Plant Expansion Project. The revenues are reported as operating revenue while the expense is capitalized and listed as an asset and not displayed in this chart. For more specific information regarding the capitalized cost and reimbursement for those costs please refer to the Single Audit Report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 \$7,511,601, an increase of \$553,163 in comparison to the prior year. Of this total amount, \$5,612,203 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$1,899,398 at June 30, 2019. This represents an increase of \$63,010 from the prior year unassigned fund balance of \$1,836,388 at June 30, 2018.

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 \$4,162,140 and the unassigned fund balance is showing a balance of \$1,899,398 at June 30, 2019.

The fund balance of the City's General Fund increased by \$57,540 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, 2019**

**Revenue by Source
GENERAL FUND**

	FY2019		FY2018		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Property taxes	\$ 1,355,766	33.66%	\$ 1,282,054	36.35%	\$ 73,712	14.71%
Sales taxes	1,522,607	37.80%	1,127,213	31.96%	395,394	78.91%
Other taxes	162,808	4.04%	178,306	5.06%	(15,498)	-3.09%
Licenses and permits	110,987	2.76%	59,824	1.70%	51,163	10.21%
Charges for services	324,772	8.06%	194,350	5.51%	130,422	26.03%
Intergovernmental	175,943	4.37%	487,115	13.81%	(311,172)	-62.10%
Fines and penalties	19,007	0.47%	20,949	0.59%	(1,942)	-0.39%
Investment income	109,928	2.73%	(58,478)	-1.66%	168,406	33.61%
Rent	180,246	4.47%	180,148	5.11%	98	0.02%
Miscellaneous	66,061	1.64%	55,560	1.58%	10,501	2.10%
Total	\$ 4,028,125	100.00%	\$ 3,527,041	100.00%	\$ 501,084	100.00%

- Property taxes revenue increased by \$73,712, or 6%, from the prior year to \$1,355,766. Property tax revenue came in slightly higher than those amounts received in the prior fiscal year. The State mandated swap between Vehicle License Fees (VLF) and property taxes is also counted here and continues to grow at a healthy rate as vehicles purchases and licensing continues to grow in California.
- Sales tax revenues increased \$395,394, or 35%, from the prior year to \$1,522,607. This is the second significant increase in Sale tax revenues in a row (Fiscal Year 2018 increased by 60%). There are a number of factors impacting this revenue source the most significant of which are Measure P receipts, increases in gas prices, and the impact of the South Dakota v. Wayfair result regarding taxation of online purchases. Measure P is a ½ cent sales tax increase that took effect in April 2019 and specifically raises the sales tax for Farmersville. Increases in gas prices, due to changing market conditions as well as increases in State gas taxes raise the price overall and revenues for the City. Finally, online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City.
- Other taxes revenue decrease by \$15,498, or 9%, from the prior year to \$162,808. 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 increased by \$51,163, or 86%, from the prior year to \$110,987. A spike in fees associated with various permitting processes and cost recovery for engineering and planning fees contribute to this growth.
- Charges for services revenue decreased by \$130,422, or 67%, from the prior year to \$324,772. 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. The Fire Department responded to mutual aid requests throughout the State in 2019 dramatically increasing this level from 2018.
- Intergovernmental revenue decreased \$311,172, or 64%, from the prior year to \$175,943. Several reasons explain this decrease. The revenue from a funding exchange with Visalia was discontinued in exchange for another exchange for transportation funding in a future year with TCAG along with some other timing fluctuations on other agreements explains this entire variance from the prior year.
- Fines and penalties revenue decreased \$1,942, or 9%, from the prior year to \$19,007. These revenues are associated primarily with Police and Fire services and are reactionary to the demand and situations presented to the City throughout the year.
- Investment income increased \$168,406, or 288%, from the prior year to \$109,928. As described previously in this report, when the interest rate environment changes to a favorable environment the value of the investments will increase. Nevertheless, the ultimate value of the security remains unchanged and the interest / dividend rate remains unchanged. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large upswing in value this year is a reaction to the large downswing in Fiscal Year 2018.
- Rent revenue increased \$98, or less than 1%, from the prior year to 180,246. The increase is attributable to a reduction in late fees collected compared to the prior year.
- Miscellaneous revenue increased by \$10,501, or 19%, from the prior year to \$66,061. 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, 2019**

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

**Expenditures by Function
GENERAL FUND**

	FY2019		FY2018		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
City council	\$ 11,113	0.27%	\$ 2,744	0.08%	\$ 8,369	0.90%
Administration	396,125	9.52%	299,448	9.27%	96,677	10.39%
City properties	66,993	1.61%	34,176	1.06%	32,817	3.53%
Law enforcement	2,114,713	50.81%	1,899,415	58.78%	215,298	23.13%
Fire services	764,929	18.38%	579,880	17.95%	185,049	19.88%
Animal control	76,283	1.83%	77,054	2.38%	(771)	-0.08%
Buildings, grounds and parks	155,044	3.73%	115,989	3.59%	39,055	4.20%
Street construction and maintenance	-	0.00%	1,637	0.05%	(1,637)	-0.18%
Community development	410,081	9.85%	158,073	4.89%	252,008	27.07%
Capital outlay	135,384	3.25%	31,046	0.96%	104,338	11.21%
Debt Service	31,475	0.76%	31,805	0.98%	(330)	-0.04%
Total	\$ 4,162,140	100.00%	\$ 3,231,267	100.00%	\$ 930,873	100.00%

- City Council expenditures increased by \$8,369 or 305% to \$11,113 from the prior year due to increased Council Member activity related to travel and related reimbursements.
- Administration expenditures increased by \$96,677 or 32% from the prior year to \$396,125. General increases in cost and more administrative activity related to project management, legal fees, and other professional fees account for the increase in this category this year.
- City Properties expenditures increased by \$32,817 or 96% from the prior year to \$66,993. Expenses in this category relates to changes to internet services, equipment, and repairs made at the different locations across the City that are rented out to non-profit organizations.
- Law enforcement expenses increased by \$215,298 or 11% from the prior year to \$2,114,713. The City implemented the Vacation Accrual Cap policy as approved by City Council which included a substantial payout to employees to bring their accrued time off down into the acceptable range identified by the policy. Increases in benefit cost, specifically CalPERS payments account for most of the increases in this department.
- Fire services expenses increased by \$185,049 or 32% from the prior year to \$764,929. The City implemented the Vacation Accrual Cap policy as approved by City Council which included a substantial payout to employees to bring their accrued time off down into the acceptable range identified by the policy. Increased cost paid to employees responding to mutual aid also added to the increase for the period.
- Animal control expenditures decreased by \$771, or 1%, from the prior year to \$76,283 and is a normal year to year change in cost relative to this operation unit.
- Buildings, grounds, and parks expenditures increased by \$39,055, or 34%, from the prior year to \$155,044. Various changes including the payout to employees related to the Vacation Accrual cap policy and other administrative and operation fluctuations account for this change.
- Community development expenditures decreased by \$252,008, or 159%, from the prior year to \$410,081. Changes in this department are related to the significant write-off related to the Successor Agency (\$224,927) which is one-time in nature. Additionally, the new initiative undertaken by the City Manager to expand Economic Development is expensed here for about \$20,000.
- Capital outlay expenditures increased by \$104,338 or 336% from the prior year to \$135,384. This increase in due to the implementation of the 2019 Capital Budget and the related equipment purchases across several departments.
- Debt services expenditures decreased by \$330 or 1% from the prior year to \$31,475 related to the Police Vehicle Purchase Plan lease expenses for the period.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Governmental Major Funds

The Federal and State Grants Special Revenue Fund has a total fund balance of \$7,711, all of which is restricted to community development. The net increase in fund balance during the current year was \$113,458 due to expenses related to grant expenditures incurred previously but reimbursed from the State in the current period. It is common to experience a lag in reimbursement that carries over fiscal years.

The Street Tax Special Revenue Fund has a total fund balance of \$4,144,223, all of which is restricted to street construction and maintenance. The net increase in fund balance during the current fiscal year was \$535,266. Several of the City's road projects during the prior fiscal year did not receive federal or state grant reimbursement to offset the project cost until the current year. Consequently, in addition to current year Measure R revenue, reimbursement from these prior year expenses were 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 \$29,772, all of which is restricted to community development. The net increase to the fund balance during the current fiscal year was \$18,169. Program income is paid out expeditiously because program income balances are 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 \$53,940, all of which is restricted to community development. The net increase in fund balance during the current fiscal year was \$854 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 \$206,193 higher than the final budgetary appropriations. This variance is just over 4.5% which is close to an acceptable margin of error. While all major operational units stayed within budget it is primarily due to year end changes and write-offs that put actual expenditures higher than the budgetary appropriations. Particularly, one adjustment expensing the write-off for the Successor Agency negative cash balance for \$224,927 that made the largest impact and in fact, and thus drove the actual expenditures above the appropriation.

However, upon consultations with the City's auditors and the City Manager it was decided that this adjustment had to be made to stay in compliance with GAAP accounting principles and standards and should be taken care of as quickly as possible after it was discovered (namely, to treat the nature of the borrowing from the General Fund more accurately, that is to say, the "due to / due from" arrangement indicates a short-term borrowing that is anticipated to be paid off quickly, but that was not the case in this scenario, with the ultimate closing of the Successor Agency fund not likely until at least 2039 when the Community Center debt is satisfied completely and the fund can be closed) Otherwise, the City and its operational units functioned within their boundaries and the City corrected an long standing issue.

During the year, actual revenues were \$383,717 higher 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 Sales Tax measure revenues and increased gas prices while property taxes increased within the exchange for Vehicle License Fees, along with the online transaction tax revenues that are harder to predict. 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, 2019**

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, 2019, amounts to \$39,307,986 (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 32 percent.

City of Farmersville's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,895,062	\$ 1,369,605	\$ 953,935	\$ 953,935	\$ 2,848,997	\$ 2,323,540
Infrastructure in progress	1,419,627	8,074,874	8,687,555	2,119,955	10,107,182	10,194,829
Building and improvements	6,706,460	2,786,632	152,061	152,061	6,858,521	2,938,693
Vehicles, machinery and equipment	2,334,890	2,055,529	1,670,319	1,298,765	4,005,209	3,354,294
Infrastructure	20,199,536	12,931,185	-	-	20,199,536	12,931,185
Utility transmission structures	-	-	6,465,593	6,465,593	6,465,593	6,465,593
Less: Accumulated Depreciation	(6,575,318)	(4,753,391)	(4,601,734)	(4,377,334)	(11,177,052)	(9,130,725)
Total	<u>\$ 25,980,257</u>	<u>\$ 22,464,434</u>	<u>\$ 13,327,729</u>	<u>\$ 6,612,975</u>	<u>\$ 39,307,986</u>	<u>\$ 29,077,409</u>

This year's major additions (>\$100,000) included:

▪ Construction in Progress for Wastewater Treatment Plant	\$ 6,574,265
▪ Roundabouts Located near SR 198	6,444,496
▪ Various Property & Equipment from Successor Agency	4,296,153
▪ Street Sweeper	364,889
▪ Sports Park, Phase III	200,737
▪ North Farmersville Blvd Road Improvements	150,370
▪ Water Energy Grant	120,266
▪ East Walnut Ave Road Improvements	114,045
▪ City Hall Remodel Improvements	105,650
▪	<u>\$ 18,370,871</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 \$6,140,980. Of this amount, \$1,356,502 is the liability of governmental activities and \$4,784,478 is the liability of business-type activities.

City of Farmersville's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Loans payable	\$ -	\$ -	\$ 4,260,736	\$ 1,125,000	\$ 4,260,736	\$ 1,125,000
Capital leases payable	45,233	89,222	-	-	45,233	89,222
Compensated Absences	422,833	672,028	103,878	75,143	526,711	747,171
Net pension liability	888,436	936,823	419,864	457,208	1,308,300	1,394,031
Total	<u>\$ 1,356,502</u>	<u>\$ 1,698,073</u>	<u>\$ 4,784,478</u>	<u>\$ 1,657,351</u>	<u>\$ 6,140,980</u>	<u>\$ 3,355,424</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, 2019**

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, FOMC interest rate changes, and futures markets volatility.
- Measure P and Measure Q revenue totals and cashflows over time.
- Revenue impacts of new retailers, changing gas prices, and economic development goals.
- Updates to employee agreements impacting salary adjustments for the coming years.
- Increased participation in Tier 2 employee salary and benefits category.
- Health Care premium and activity cost changing in future periods.
- Increased Liability costs due to extreme losses experienced across California.
- Increased Workers Compensation costs due to Local, State, and National trends.
- Increased CalPERS normal cost and 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 6,705,071	\$ 6,440,007	\$ 13,145,078
Receivables, net of allowance for uncollectibles:			
Consumer	-	386,076	386,076
Intergovernmental	1,058,437	2,191,374	3,249,811
Restricted assets:			
Cash and investments	-	2,294,746	2,294,746
Capital assets, net	<u>25,980,257</u>	<u>13,327,729</u>	<u>39,307,986</u>
Total assets	<u>33,743,765</u>	<u>24,639,932</u>	<u>58,383,697</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>522,738</u>	<u>190,833</u>	<u>713,571</u>
Total deferred outflows of resources	<u>522,738</u>	<u>190,833</u>	<u>713,571</u>
LIABILITIES			
Accounts payable	221,475	1,468,049	1,689,524
Salaries and benefits payable	24,911	9,601	34,512
Interest payable	-	24,724	24,724
Retainage payable	-	289,718	289,718
Deposits	900	-	900
Unearned revenue	4,621	-	4,621
Long-term liabilities			
Portion due or payable within one year:			
Compensated absences	84,570	20,776	105,346
Loans payable	-	72,000	72,000
Capital leases payable	45,233	-	45,233
Portion due or payable after one year:			
Compensated absences	338,263	83,102	421,365
Loans payable	-	4,188,736	4,188,736
Net pension liability	<u>888,436</u>	<u>419,864</u>	<u>1,308,300</u>
Total liabilities	<u>1,608,409</u>	<u>6,576,570</u>	<u>8,184,979</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>24,815</u>	<u>42,956</u>	<u>67,771</u>
Total deferred inflows of resources	<u>24,815</u>	<u>42,956</u>	<u>67,771</u>
NET POSITION			
Net investment in capital assets	25,935,024	9,066,993	35,002,017
Restricted for:			
Debt service	-	751,623	751,623
Public safety	261,285	-	261,285
Capital projects	-	1,543,123	1,543,123
Community development	169,106	-	169,106
Capital maintenance	4,780,812	-	4,780,812
Unrestricted	<u>1,487,052</u>	<u>6,849,500</u>	<u>8,336,552</u>
Total net position	<u>\$ 32,633,279</u>	<u>\$ 18,211,239</u>	<u>\$ 50,844,518</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, 2019**

	Special Revenue Funds						Total Governmental Funds
	General	Federal and State Grants	Street Tax	CDBG Program Income	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
ASSETS							
Cash and investments	\$ 1,631,125	\$ -	\$ 4,033,264	\$ 29,772	\$ 53,940	\$ 956,970	\$ 6,705,071
Receivables:							
Intergovernmental	329,055	392,892	140,512	-	-	195,978	1,058,437
Other	-	-	-	-	-	-	-
Due from other funds	<u>452,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452,592</u>
Total assets	<u>\$ 2,412,772</u>	<u>\$ 392,892</u>	<u>\$ 4,173,776</u>	<u>\$ 29,772</u>	<u>\$ 53,940</u>	<u>\$ 1,152,948</u>	<u>\$ 8,216,100</u>
LIABILITIES							
Accounts payable	\$ 84,614	\$ 72,924	\$ 28,548	\$ -	\$ -	\$ 35,389	\$ 221,475
Salaries and benefits payable	22,239	-	1,005	-	-	1,667	24,911
Deposits	900	-	-	-	-	-	900
Due to other funds	-	312,257	-	-	-	140,335	452,592
Unearned revenue	<u>4,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,621</u>
Total liabilities	<u>112,374</u>	<u>385,181</u>	<u>29,553</u>	<u>-</u>	<u>-</u>	<u>177,391</u>	<u>704,499</u>
FUND BALANCES							
Nonspendable:							
Prepaid expenses	-	-	-	-	-	-	-
Restricted for:							
Public safety	-	-	-	-	-	261,285	261,285
Community development	-	7,711	-	29,772	53,940	77,683	169,106
Capital maintenance	-	-	4,144,223	-	-	636,589	4,780,812
Assigned to:							
General government	401,000	-	-	-	-	-	401,000
Unassigned	<u>1,899,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899,398</u>
Total fund balances	<u>2,300,398</u>	<u>7,711</u>	<u>4,144,223</u>	<u>29,772</u>	<u>53,940</u>	<u>975,557</u>	<u>7,511,601</u>
Total liabilities and fund balances	<u>\$ 2,412,772</u>	<u>\$ 392,892</u>	<u>\$ 4,173,776</u>	<u>\$ 29,772</u>	<u>\$ 53,940</u>	<u>\$ 1,152,948</u>	<u>\$ 8,216,100</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, 2019**

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

Total fund balances - governmental funds		\$ 7,511,601
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 \$32,555,575 and the accumulated depreciation is \$6,575,318.		25,980,257
Pension related deferrals are reported as deferred outflows and inflows of resources.		497,923
Capital leases payable	(45,233)	
Compensated absences	(422,833)	
Net pension liability	<u>(888,436)</u>	
Total long-term liabilities		<u>(1,356,502)</u>
Net position of governmental activities		<u>\$ 32,633,279</u>

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds						Total Governmental Funds
	General	Federal and State Grants	Street Tax	CDBG Program Income	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
REVENUES							
Property taxes	\$ 1,355,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,355,766
Sales taxes	1,522,607	-	-	-	-	-	1,522,607
Other taxes	162,808	-	-	-	-	-	162,808
Licenses and permits	110,987	-	-	-	-	-	110,987
Developer fees	-	-	-	-	-	12,885	12,885
Charges for services	324,772	-	-	-	-	61,553	386,325
Intergovernmental	175,943	584,301	1,281,494	150,644	-	377,743	2,570,125
Fines and penalties	19,007	-	-	-	-	-	19,007
Investment income	109,928	-	63,738	936	-	14,026	188,628
Loan repayments	-	-	-	-	854	-	854
Rent	180,246	-	-	-	-	-	180,246
Miscellaneous revenues	66,061	-	12,904	-	-	-	78,965
Total revenues	4,028,125	584,301	1,358,136	151,580	854	466,207	6,589,203
EXPENDITURES							
Current:							
City council	11,113	-	-	-	-	-	11,113
Administration	396,125	-	-	-	-	-	396,125
City properties	66,993	-	-	-	-	-	66,993
Public safety:							
Law enforcement	2,114,713	-	-	-	-	92,288	2,207,001
Fire services	764,929	-	-	-	-	-	764,929
Animal control	76,283	-	-	-	-	-	76,283
Buildings, grounds and parks	155,044	-	-	-	-	200,339	355,383
Street construction and maintenance	-	-	449,524	-	-	71,813	521,337
Community development	410,081	575,150	-	81,936	-	142,038	1,209,205
Capital outlay	135,384	8,706	373,346	-	-	16,193	533,629
Debt service:							
Principal	29,436	-	-	-	-	14,553	43,989
Interest	2,039	-	-	-	-	-	2,039
Total expenditures	4,162,140	583,856	822,870	81,936	-	537,224	6,188,026
Excess (deficiency) of revenues over (under) expenditures	(134,015)	445	535,266	69,644	854	(71,017)	401,177

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, 2019
(Continued)**

	Special Revenue Funds						Total Governmental Funds
	General	Federal and State Grants	Street Tax	CDBG Program Income	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
OTHER FINANCING SOURCES (USES)							
Transfers in	76,475	113,013	-	-	-	-	189,488
Transfers out	-	-	-	(51,475)	-	-	(51,475)
Total other financing sources (uses)	76,475	113,013	-	(51,475)	-	-	138,013
Net change in fund balances	(57,540)	113,458	535,266	18,169	854	(71,017)	539,190
Fund balances (deficit) - beginning	2,357,938	(105,747)	3,608,957	11,603	53,086	1,046,574	6,972,411
Fund balances - ending	<u>\$ 2,300,398</u>	<u>\$ 7,711</u>	<u>\$ 4,144,223</u>	<u>\$ 29,772</u>	<u>\$ 53,940</u>	<u>\$ 975,557</u>	<u>\$ 7,511,601</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, 2019**

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

Net change in fund balances - total governmental funds \$ 539,190

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	805,818
Depreciation expense	(858,432)

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

Transfer of assets to governmental activities	3,568,436
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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	43,989
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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. 249,197

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. (92,084)

Change in net position of governmental activities	<u>\$ 4,256,114</u>
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CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 850,102	\$ 5,254,198	\$ 335,707	\$ 6,440,007
Consumer receivables, net of allowance	122,896	203,566	59,614	386,076
Intergovernmental receivables	-	2,191,374	-	2,191,374
Total current assets	<u>972,998</u>	<u>7,649,138</u>	<u>395,321</u>	<u>9,017,457</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	562,492	1,732,254	-	2,294,746
Capital assets, net	1,849,606	11,478,123	-	13,327,729
Total noncurrent assets	<u>2,412,098</u>	<u>13,210,377</u>	<u>-</u>	<u>15,622,475</u>
Total assets	<u>3,385,096</u>	<u>20,859,515</u>	<u>395,321</u>	<u>24,639,932</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>75,323</u>	<u>98,013</u>	<u>17,497</u>	<u>190,833</u>
Total deferred outflows of resources	<u>75,323</u>	<u>98,013</u>	<u>17,497</u>	<u>190,833</u>
LIABILITIES				
Current liabilities:				
Accounts payable	28,577	1,399,676	39,796	1,468,049
Salaries and benefits payable	4,337	4,171	1,093	9,601
Interest payable	-	24,724	-	24,724
Retainage payable	-	289,718	-	289,718
Compensated absences	7,300	11,414	2,062	20,776
Loans payable	-	72,000	-	72,000
Total current liabilities	<u>40,214</u>	<u>1,801,703</u>	<u>42,951</u>	<u>1,884,868</u>
Noncurrent liabilities:				
Compensated absences	29,200	45,656	8,246	83,102
Loans payable	-	4,188,736	-	4,188,736
Net pension liability	<u>165,327</u>	<u>215,732</u>	<u>38,805</u>	<u>419,864</u>
Total noncurrent liabilities	<u>194,527</u>	<u>4,450,124</u>	<u>47,051</u>	<u>4,691,702</u>
Total liabilities	<u>234,741</u>	<u>6,251,827</u>	<u>90,002</u>	<u>6,576,570</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>16,925</u>	<u>22,043</u>	<u>3,988</u>	<u>42,956</u>
Total deferred inflows of resources	<u>16,925</u>	<u>22,043</u>	<u>3,988</u>	<u>42,956</u>
NET POSITION				
Net investment in capital assets	1,849,606	7,217,387	-	9,066,993
Restricted for:				
Debt service	-	751,623	-	751,623
Capital projects	562,492	980,631	-	1,543,123
Unrestricted	<u>796,655</u>	<u>5,734,017</u>	<u>318,828</u>	<u>6,849,500</u>
Total net position	<u>\$ 3,208,753</u>	<u>\$ 14,683,658</u>	<u>\$ 318,828</u>	<u>\$ 18,211,239</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, 2019**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Operating Revenues:				
Charges for services	\$ 925,252	\$ 1,981,879	\$ 834,527	\$ 3,741,658
Operating Expenses:				
Personnel costs	358,699	481,910	88,527	929,136
Utilities	107,993	39,722	-	147,715
Contractual services	69,870	83,365	672,716	825,951
Franchise payments	10,750	12,500	41,026	64,276
Operations and maintenance	227,302	217,783	1,114	446,199
Depreciation	128,310	96,090	-	224,400
Total operating expenses	902,924	931,370	803,383	2,637,677
Operating income (loss)	22,328	1,050,509	31,144	1,103,981
Nonoperating Revenue (Expenses):				
Connection fees	7,920	9,633	-	17,553
Developer fees	-	2,001	-	2,001
Grant revenue	-	5,252,039	10,000	5,262,039
Investment income	19,833	70,319	4,613	94,765
Interest expense	-	(68,401)	-	(68,401)
Total nonoperating revenues (expenses)	27,753	5,265,591	14,613	5,307,957
Income (loss) before transfers	50,081	6,316,100	45,757	6,411,938
Transfers out	(138,013)	-	-	(138,013)
Change in net position	(87,932)	6,316,100	45,757	6,273,925
Net position - beginning	3,296,685	8,367,558	273,071	11,937,314
Net position - ending	\$ 3,208,753	\$ 14,683,658	\$ 318,828	\$ 18,211,239

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, 2019

	<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	\$ 908,724	\$ 1,959,835	\$ 826,570	\$ 3,695,129
Cash payments to employees	(336,901)	(445,642)	(81,530)	(864,073)
Cash payments to suppliers	(429,560)	1,010,276	(714,614)	(133,898)
Net cash provided by (used in) operating activities	<u>142,263</u>	<u>2,524,469</u>	<u>30,426</u>	<u>2,697,158</u>
Cash Flows from Noncapital and Related Financing Activities				
Cash received from grants	-	-	10,000	10,000
Transfers out	(138,013)	-	-	(138,013)
Net cash provided by (used in) noncapital and related financing activities	<u>(138,013)</u>	<u>-</u>	<u>10,000</u>	<u>(128,013)</u>
Cash Flows from Capital and Related Financing Activities				
Cash received from connection fees	7,920	9,633	-	17,553
Cash received from developer fees	-	2,001	-	2,001
Cash received from grants	-	4,364,377	-	4,364,377
Acquisition of capital assets	-	(6,649,436)	-	(6,649,436)
Proceeds from long-term debt	-	3,027,024	-	3,027,024
Principal paid on long-term debt	-	(1,195,000)	-	(1,195,000)
Interest paid on long-term debt	-	(43,677)	-	(43,677)
Net cash provided by (used in) capital and related financing activities	<u>7,920</u>	<u>(485,078)</u>	<u>-</u>	<u>(477,158)</u>
Cash Flows from Investing Activities				
Interest on investments	19,833	70,319	4,613	94,765
Net cash provided by (used in) investing activities	<u>19,833</u>	<u>70,319</u>	<u>4,613</u>	<u>94,765</u>
Net increase (decrease) in cash and investments	32,003	2,109,710	45,039	2,186,752
Cash and cash equivalents, July 1, 2018	1,380,591	4,876,742	290,668	6,548,001
Cash and cash equivalents, June 30, 2019	<u>\$ 1,412,594</u>	<u>\$ 6,986,452</u>	<u>\$ 335,707</u>	<u>\$ 8,734,753</u>

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

Operating income (loss)	\$ 22,328	\$ 1,050,509	\$ 31,144	\$ 1,103,981
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>				
Depreciation	128,310	96,090	-	224,400
<i>Change in Assets and Liabilities:</i>				
(Increase) decrease in consumer receivables	(16,528)	(22,044)	(7,957)	(46,529)
(Increase) decrease in prepaid expenses	6,966	6,966	-	13,932
(Increase) decrease in pension related deferred outflows of resources	23,129	28,449	3,996	55,574
Increase (decrease) in accounts payable	(13,645)	1,363,646	242	1,350,243
Increase (decrease) in salaries and benefits payable	1,733	851	415	2,999
Increase (decrease) in compensated absences	(366)	9,125	1,191	9,950
Increase (decrease) in net pension liability	(17,407)	(19,424)	(513)	(37,344)
Increase (decrease) in pension related deferred inflows of resources	7,743	10,301	1,908	19,952
Net cash provided by (used in) operating activities	<u>\$ 142,263</u>	<u>\$ 2,524,469</u>	<u>\$ 30,426</u>	<u>\$ 2,697,158</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, 2019**

	<u>Successor Agency Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ -	\$ 80,566
Cash and investments - restricted	219,000	-
Accounts receivable	<u>-</u>	<u>703</u>
Total assets	<u>219,000</u>	<u>\$ 81,269</u>
LIABILITIES		
Accounts payable	-	320
Customer deposits	-	72,513
Due to other agencies	-	8,436
Interest payable	18,815	-
Loan payable - current	131,010	-
Loan payable - long term	<u>1,653,385</u>	<u>-</u>
Total liabilities	<u>1,803,210</u>	<u>\$ 81,269</u>
NET POSITION		
Net position held in trust for redevelopment dissolution and other purposes	<u>\$ (1,584,209)</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, 2019**

	<u>Successor Agency Trust Fund</u>
ADDITIONS	
Property taxes	\$ 199,413
Miscellaneous	<u>224,927</u>
Total additions	<u>424,340</u>
DEDUCTIONS	
Debt payment - interest	74,909
Depreciation	<u>391</u>
Total deductions	<u>75,300</u>
EXTRAORDINARY GAIN (LOSS)	
Loss on disposition of assets	<u>(3,568,436)</u>
Change in net position	(3,219,396)
Net position - beginning	<u>1,635,187</u>
Net position - ending	<u>\$ (1,584,209)</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, 2019

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.

A. 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.

B. 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, 2019

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

B. 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 Farmersville Redevelopment 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:

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.

Agency Funds - Accounts for the 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, 2019

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

C. 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.

D. 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

Property tax 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, 2019

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

D. 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 \$5,976 for Water utility charges, \$12,486 for Sewer utility charges, and \$1,438 for Refuse utility charges as of June 30, 2019. 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, 2019

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

D. 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, 2019

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

D. 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, 2019

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

D. 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.

A. Summary of Deposits and Investments

Cash and investments at June 30, 2019 are classified in the accompanying financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 6,705,071	\$ 6,440,007	\$ 80,566	\$ 13,225,644
Restricted cash and investments	-	2,294,746	219,000	2,513,746
Total cash and investments	<u>\$ 6,705,071</u>	<u>\$ 8,734,753</u>	<u>\$ 299,566</u>	<u>\$ 15,739,390</u>

Cash and investments consist of the following as of June 30, 2019:

Cash on hand	\$ 5,731
Deposits with financial institutions	6,520,859
Investments	<u>9,212,800</u>
Total cash and investments	<u>\$ 15,739,390</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

B. Investments Authorized by the California Government Code and the City’s Investment Policy

The investment policy of the City is consistent with guidelines set forth under State of California Government Code Section 53601 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the City Manager in compliance with the Statement of Investment Policy adopted by the City Council, which delegates to the City Manager the authority to invest City funds and to deposit securities. All investments are carried at fair value in accordance with GASB Statement No. 72.

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

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

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

C. 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
Local Agency Investment Fund	\$ 5,153,539	\$ 5,153,539	\$ -	\$ -
CSJVRMA Pool	1,555,892	1,555,892	-	-
Money Market	10,809	10,809	-	-
Certificates of Deposits	1,974,327	493,859	490,083	990,385
Federal Agency Securities:				
Federal Home Loan Bank	518,233	253,230	-	265,003
Total	\$ 9,212,800	\$ 7,467,329	\$ 490,083	\$ 1,255,388

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

D. 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
Local Agency Investment Fund	\$ 5,153,539	\$ -	\$ -	\$ 5,153,539
CSJVRMA Pool	1,555,892	-	-	1,555,892
Money Market	10,809	-	-	10,809
Certificates of Deposits	1,974,327	-	-	1,974,327
Federal Agency Securities:				
Federal Home Loan Bank	518,233	-	518,233	-
Total	\$ 9,212,800	\$ -	\$ 518,233	\$ 8,694,567

E. 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, 2019, 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.

F. Custodial Credit Risk

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

The carrying amounts of the City's cash deposits totaled \$6,520,859 at June 30, 2019. Bank balances were \$5,990,882, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

F. Custodial Credit Risk (Continued)

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, 2019, there were no investments that were required to be identified by GASB Statement No. 40 in relation to custodial credit risk.

G. 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, 2019 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes – These 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 – These are the bulk of 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, 2019, the City had \$5,153,539 invested in the LAIF, which was reported at fair value.

H. Central San Joaquin Valley Risk Management Authority

The City maintains an investment of \$1,515,778 in the Central San Joaquin Valley Risk Management Authority (CSJVRMA) Pool as of June 30, 2019. The total amount invested by all participants in the pool is \$106,731,628. The value of the pool shares which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the City's portion in the pool. The fair value of the City's share of the pool is determined monthly and is \$1,555,892 as of June 30, 2019. The pool is not registered with the Securities Exchange Commission; however, it is managed by a registered investment advisor. Participation in the pool is voluntary. The pool's average maturity is 2.68 years and the average rating is AA/Aa1. The pool consists of 47% Securities of U.S. Government Agencies, 33% U.S. Corporate Obligations and 20% other. The pool complies with the City's investment policy.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

I. 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, 2019:

<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	\$ 1,974,327	\$ -	\$ 1,974,327	\$ -
Federal Agency Securities	<u>518,233</u>	<u>-</u>	<u>518,233</u>	<u>-</u>
	<u>2,492,560</u>	<u>\$ -</u>	<u>\$ 2,492,560</u>	<u>\$ -</u>
 <u>Unclassified Investments</u>				
Local Agency Investment Fund	5,153,539			
CSJVRMA Pool	1,555,892			
Money Market Funds	<u>10,809</u>			
	<u>6,720,240</u>			
 Total Investments	 <u>\$ 9,212,800</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 a previous 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, 2019

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)

Forgivable Loans (Continued)

Nonperforming loans consisted of the following as of June 30, 2019:

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.	205,202
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.	9,812,580
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.	<u>328,104</u>
Total loans receivable	<u>\$ 12,347,886</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – INTERFUND TRANSACTIONS

A. Interfund Loans Receivable and Payable

Interfund loans receivable and payable consisted of the following at June 30, 2019:

	Due	
	From	To
Major Funds:		
General Fund	\$ 452,592	\$ -
Federal and State Grants Special Revenue Fund	-	312,257
Nonmajor Funds:		
Park Development Special Revenue Fund	-	140,335
 Total	 <u>\$ 452,592</u>	 <u>\$ 452,592</u>

The balances totaling \$452,592 due to the General Fund from the Federal and State Grants Special Revenue Fund and the Park Development Special Revenue 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.

B. Transfers in/Transfers Out

The following schedules summarized the City's transfer activity for the year ended June 30, 2019:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 76,475	\$ -
Federal and State Grants Special Revenue Fund	113,013	-
CDBG Program Income Special Revenue Fund	-	51,475
Water Fund	-	138,013
 Total	 <u>\$ 189,488</u>	 <u>\$ 189,488</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 water impact fees to the Federal and State grants fund and General fund to cover various water related costs incurred by those funds.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for governmental activities for the year ended June 30, 2019 is as follows:

	Balances June 30, 2018	Acquisitions	Dispositions	Transfers	Balances June 30, 2019
Governmental Activities:					
<i>Nondepreciable assets:</i>					
Land	\$ 1,369,605	\$ -	\$ -	\$ 525,457	\$ 1,895,062
Infrastructure in progress	8,074,874	611,083	-	(7,266,330)	1,419,627
Total nondepreciable assets	<u>9,444,479</u>	<u>611,083</u>	<u>-</u>	<u>(6,740,873)</u>	<u>3,314,689</u>
<i>Depreciable assets:</i>					
Buildings and improvements	2,786,632	147,429	-	3,772,399	6,706,460
Vehicles, machinery and equipment	2,055,529	35,843	-	243,518	2,334,890
Infrastructure	12,931,185	11,464	-	7,256,887	20,199,536
Total depreciable assets	<u>17,773,346</u>	<u>194,736</u>	<u>-</u>	<u>11,272,804</u>	<u>29,240,886</u>
Less accumulated depreciation for:					
Buildings and improvements	1,430,244	208,201	-	804,553	2,442,998
Vehicles, machinery and equipment	1,569,283	121,045	-	158,942	1,849,270
Infrastructure	1,753,864	529,186	-	-	2,283,050
Total accumulated depreciation	<u>4,753,391</u>	<u>858,432</u>	<u>-</u>	<u>963,495</u>	<u>6,575,318</u>
Depreciable assets, net	<u>13,019,955</u>	<u>(663,696)</u>	<u>-</u>	<u>10,309,309</u>	<u>22,665,568</u>
Government activities capital assets, net	<u>\$ 22,464,434</u>	<u>\$ (52,613)</u>	<u>\$ -</u>	<u>\$ 3,568,436</u>	<u>\$ 25,980,257</u>

A summary of capital assets activity for business-type activities for the year ended June 30, 2019 is as follows:

	Balances June 30, 2018	Acquisitions	Dispositions	Transfers	Balances June 30, 2019
Business-Type Activities:					
<i>Nondepreciable assets:</i>					
Land	\$ 953,935	\$ -	\$ -	\$ -	\$ 953,935
Construction in progress	2,119,955	6,939,154	-	(371,554)	8,687,555
Total nondepreciable assets	<u>3,073,890</u>	<u>6,939,154</u>	<u>-</u>	<u>(371,554)</u>	<u>9,641,490</u>
<i>Depreciable assets:</i>					
Buildings and improvements	152,061	-	-	-	152,061
Vehicles, machinery and equipment	1,298,765	-	-	371,554	1,670,319
Utility transmission structures	6,465,593	-	-	-	6,465,593
Total depreciable assets	<u>7,916,419</u>	<u>-</u>	<u>-</u>	<u>371,554</u>	<u>8,287,973</u>
Less accumulated depreciation for:					
Buildings and improvements	80,706	4,945	-	-	85,651
Vehicles, machinery and equipment	1,216,286	58,237	-	-	1,274,523
Infrastructure	3,080,342	161,218	-	-	3,241,560
Total accumulated depreciation	<u>4,377,334</u>	<u>224,400</u>	<u>-</u>	<u>-</u>	<u>4,601,734</u>
Depreciable assets, net	<u>3,539,085</u>	<u>(224,400)</u>	<u>-</u>	<u>371,554</u>	<u>3,686,239</u>
Business-type activities capital assets, net	<u>\$ 6,612,975</u>	<u>\$ 6,714,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,327,729</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:	
Administration	\$ 49,083
Public safety - law enforcement	66,039
Public safety - fire	18,680
Public safety - animal control	4,104
Street construction and maintenance	472,866
Building, grounds and parks	64,298
Community development	164,155
City properties	19,207
Business-Type Activities:	
Water	128,310
Sewer	<u>96,090</u>
 Total	 <u>\$ 1,082,832</u>

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 \$338,263 for governmental activities and \$83,102 for business-type activities at June 30, 2019. 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, 2019 was \$422,833 for governmental activities and \$103,878 for business-type activities.

	<u>Balances</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities	<u>\$ 672,028</u>	<u>\$ 299,974</u>	<u>\$ (549,169)</u>	<u>\$ 422,833</u>	<u>\$ 84,570</u>
Business-Type Activities	<u>\$ 93,928</u>	<u>\$ 83,767</u>	<u>\$ (73,817)</u>	<u>\$ 103,878</u>	<u>\$ 20,776</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 – LONG-TERM DEBT

Long-term debt reported in the governmental activities at June 30, 2019 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 lease at June 30, 2019 was \$45,233. The lease agreement is secured by the leased vehicles and includes a provision whereby in an event of default the City will return the leased vehicles to the lessor.

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

	Balance June 30, 2018	Issued	Retired	Balance June 30, 2019	Due Within One Year
Police vehicle leases	\$ 89,222	\$ -	\$ (43,989)	\$ 45,233	\$ 45,233
Total governmental activities	<u>\$ 89,222</u>	<u>\$ -</u>	<u>\$ (43,989)</u>	<u>\$ 45,233</u>	<u>\$ 45,233</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 45,233	\$ 794	\$ 46,027
Total	<u>\$ 45,233</u>	<u>\$ 794</u>	<u>\$ 46,027</u>

Long-term debt reported in the business-type activities at June 30, 2019 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, the City signed an amendment to the original contract, extending the payable date of the loan to March 20, 2018. During the year ended June 30, 2019 the CoBank Bridge loan was repaid in full, as the related State and Federal funding was received by the City as a result of the construction of the Wastewater Treatment Plant.

Certificates of Participation

In October 2018, the City entered into a Certificate of Participation agreement (COP) with the Public Property Financing Corporation of California (Corporation) in connection with the United States Department of Agriculture Water & Waste Disposal Loan & Grant program. The agreement reimburses the City for allowable expenses in the form of a loan that were incurred as a result of the construction of the Wastewater Treatment Plant. The loan not-to-exceed amount of \$5,000,000, of which the City has drawn 4,330,736 as of June 30, 2019, is repayable over a 50-year period beginning at the loan closing. The certificate of participation requires semi-annual payments on October 1 and April 1 of each year, bearing an interest rate equivalent to 2.75%. The outstanding loan balance as of June 30, 2019 was \$4,260,736. The COP includes a provision whereby if the City defaults on any other debt instrument or other obligation, the Corporation, at its discretion, may declare all or any part of the COP immediately due and payable.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 – LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity of the business-type activities debt balances are as follows:

	<u>Balance June 30, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
<i>Direct borrowing:</i>					
CoBank Loan	\$ 1,125,000	\$ -	\$ (1,125,000)	\$ -	\$ -
<i>Direct placement:</i>					
Certificates of Participation	-	4,330,736	(70,000)	4,260,736	72,000
Total business-type activities	\$ 1,125,000	\$ 4,330,736	\$ (1,195,000)	\$ 4,260,736	\$ 72,000

Annual debt service requirements to maturity of the business-type activities debt balances are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 72,000	\$ 134,954	\$ 206,954
2021	74,000	132,575	206,575
2022	76,000	130,512	206,512
2023	78,000	128,395	206,395
2024	80,000	126,571	206,571
2025-2028	345,000	482,152	827,152
2029-2038	1,043,000	1,019,849	2,062,849
2039-2048	1,368,000	690,352	2,058,352
2049-2058	1,124,736	257,750	1,382,486
Total	\$ 4,260,736	\$ 3,103,110	\$ 7,363,846

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.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

The rate plan provisions and benefits in effect at June 30, 2019 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	7.634%	6.842%

	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	12.848%	10.020%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$100,000 for the fiscal year ended June 30, 2019.

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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City's contributions to the Plan recognized as a part of pension expense for the year then ended June 30, 2019 were \$282,522.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 – PENSION PLAN (Continued)

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

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,308,300.

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, 2018, 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, 2017, rolled forward to June 30, 2018, 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, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.0141%
Proportion - June 30, 2018	<u>0.0136%</u>
Change - Increase (Decrease)	-0.0005%

For the year ended June 30, 2019, the City recognized a pension expense of \$416,164. At June 30, 2019, 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	\$ 285,899	\$ -
Changes of assumptions	193,025	36,475
Differences between actual and expected experience	49,330	6,854
Net differences between projected and actual earnings on plan investments	10,893	-
Change in employer's proportion	89,713	24,442
Differences between the employer's actual contributions and the employer's proportionate share of contributions	<u>84,711</u>	<u>-</u>
Total	<u>\$ 713,571</u>	<u>\$ 67,771</u>

\$285,899 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, 2019. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 259,306
2021	160,574
2022	(45,560)
2023	(14,419)
2024	-
Therafter	-

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 – PENSION PLAN (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	3.30% - 14.20% ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾
	Derived using CalPERS' Membership data for all Funds ⁽³⁾
Mortality	

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

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

⁽³⁾ The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experiences Study can be found on the CalPERS website.

Change in Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 – PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The expected real rates of return by asset class are as follows:

Asset Class ^(a)	New Strategic Allocation	Real Return Years 1-10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

^(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.0% used for this period

^(c) An expected inflation of 2.92% used for this period

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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 the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$2,331,163	\$1,308,300	\$467,145

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, 2019.

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, 2019

NOTE 10 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2019, is presented as follows:

Total assets	\$ 128,442,162
Total liabilities	<u>109,661,346</u>
Total net position	<u>\$ 18,780,816</u>
Revenues	\$ 53,005,963
Expenses	<u>52,250,549</u>
Change in net position	<u>\$ 755,414</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, 2019

NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)

A. Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2019 was as follows:

	<u>Balances</u> <u>June 30, 2018</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Balances</u> <u>June 30, 2019</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>	<u>-</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>	<u>-</u>
Total depreciable assets	<u>4,006,474</u>	<u>-</u>	<u>-</u>	<u>(4,006,474)</u>	<u>-</u>
Less accumulated depreciation for:					
Buildings and improvements	804,210	343	-	(804,553)	-
Vehicles, machinery and equipment	<u>158,894</u>	<u>48</u>	<u>-</u>	<u>(158,942)</u>	<u>-</u>
Total accumulated depreciation	<u>963,104</u>	<u>391</u>	<u>-</u>	<u>(963,495)</u>	<u>-</u>
Depreciable assets, net	<u>3,043,370</u>	<u>(391)</u>	<u>-</u>	<u>(3,042,979)</u>	<u>-</u>
Capital assets, net	<u>\$ 3,568,827</u>	<u>\$ (391)</u>	<u>\$ -</u>	<u>\$ (3,568,436)</u>	<u>\$ -</u>

B. Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2019 was comprised of the following:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
USDA Loan	\$ 1,909,922	\$ -	\$ (125,527)	\$ 1,784,395	\$ 131,010
Total long-term debt	<u>\$ 1,909,922</u>	<u>\$ -</u>	<u>\$ (125,527)</u>	<u>\$ 1,784,395</u>	<u>\$ 131,010</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)

C. 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 and is secured by future property tax revenues. 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, 2019 was \$1,784,395. The agreement includes default provisions whereby if the Agency defaults on any other debt instrument or other obligation, the bond holders, at their discretion, may declare all or any part of the loan, including any accrued interest, immediately due and payable.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 131,010	\$ 71,376	\$ 202,386
2021	136,711	66,135	202,846
2022	142,641	60,667	203,308
2023	148,809	54,961	203,770
2024-2028	845,538	180,234	1,025,772
2029-2030	<u>379,686</u>	<u>22,721</u>	<u>402,407</u>
Total	<u>\$ 1,784,395</u>	<u>\$ 456,094</u>	<u>\$ 2,240,489</u>

NOTE 13 – EXTRAORDINARY ITEM

In accordance with the timeline set forth in ABX1-26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets of the redevelopment agency were transferred to the City during the period between January 1, 2011 and the date upon which the Redevelopment Agency ceased to operate, which was later determined to be inappropriate due to the timing of the transfers by the California State Controller's Office. As a result of this determination the City was required to transfer the former RDA assets to the Successor Agency, however the State Controller informed the City that the transfer of ownership of the governmental-purpose properties to the City was appropriate and the transfer process was to be reapplied.

Upon approval of the Redevelopment Agency's Long-Range Property Management Plan the Successor Agency was in compliance to transfer these assets back to the City.

On July 1, 2018, the City identified \$3,568,436 of capital assets to be transferred from the Successor Agency that were owned by the City. Therefore, the City has recorded an extraordinary item on the Statement of Activities in the above amount to recognize these capital assets. The capital assets were included with the City's capital assets and are reflected as transfers in Note 5.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property taxes	\$ 1,327,000	\$ 1,346,874	\$ 1,355,766	\$ 8,892
Sales taxes	1,210,000	1,366,000	1,522,607	156,607
Other taxes	140,000	140,000	162,808	22,808
Licenses and permits	148,800	146,830	110,987	(35,843)
Charges for services	199,000	250,927	324,772	73,845
Intergovernmental	274,500	176,632	175,943	(689)
Fines and penalties	23,000	23,000	19,007	(3,993)
Investment income	3,445	3,445	109,928	106,483
Rent	183,200	183,200	180,246	(2,954)
Miscellaneous revenue	7,500	7,500	66,061	58,561
	<u>3,516,445</u>	<u>3,644,408</u>	<u>4,028,125</u>	<u>383,717</u>
EXPENDITURES				
Current:				
City council	15,000	15,000	11,113	3,887
Administration	377,651	392,614	396,125	(3,511)
City properties	29,331	78,631	66,993	11,638
Public safety:				
Law enforcement	2,099,071	2,121,844	2,114,713	7,131
Fire services	680,894	801,736	764,929	36,807
Animal control	93,761	81,621	76,283	5,338
Buildings, grounds and parks	129,089	142,870	155,044	(12,174)
Street construction and maintenance	-	-	-	-
Community development	166,631	179,631	410,081	(230,450)
Capital outlay	130,500	119,500	135,384	(15,884)
Debt service:				
Principal	20,000	20,000	29,436	(9,436)
Interest	2,500	2,500	2,039	461
	<u>3,744,428</u>	<u>3,955,947</u>	<u>4,162,140</u>	<u>(206,193)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(227,983)</u>	<u>(311,539)</u>	<u>(134,015)</u>	<u>177,524</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>372,393</u>	<u>372,393</u>	<u>76,475</u>	<u>(295,918)</u>
Total other financing sources (uses)	<u>372,393</u>	<u>372,393</u>	<u>76,475</u>	<u>(295,918)</u>
Net change in fund balance	144,410	60,854	(57,540)	(118,394)
Fund balances - beginning	<u>2,357,938</u>	<u>2,357,938</u>	<u>2,357,938</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,502,348</u>	<u>\$ 2,418,792</u>	<u>\$ 2,300,398</u>	<u>\$ (118,394)</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	<u>\$ 537,000</u>	<u>\$ 537,000</u>	<u>\$ 584,301</u>	<u>\$ 47,301</u>
Total revenues	<u>537,000</u>	<u>537,000</u>	<u>584,301</u>	<u>47,301</u>
EXPENDITURES				
Current:				
Community development	<u>537,000</u>	<u>537,000</u>	<u>575,150</u>	<u>(38,150)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>8,706</u>	<u>(8,706)</u>
Total expenditures	<u>537,000</u>	<u>537,000</u>	<u>583,856</u>	<u>(46,856)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>445</u>	<u>445</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>113,013</u>	<u>113,013</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>113,013</u>	<u>113,013</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>113,458</u>	<u>113,458</u>
Fund balances - beginning	<u>(105,747)</u>	<u>(105,747)</u>	<u>(105,747)</u>	<u>-</u>
Fund balances - ending	<u>\$ (105,747)</u>	<u>\$ (105,747)</u>	<u>\$ 7,711</u>	<u>\$ 113,458</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
STREET TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 3,587,850	\$ 3,628,851	\$ 1,281,494	\$ (2,347,357)
Investment income	37,959	37,959	63,738	25,779
Miscellaneous revenue	<u>12,787</u>	<u>12,787</u>	<u>12,904</u>	<u>117</u>
Total revenues	<u>3,638,596</u>	<u>3,679,597</u>	<u>1,358,136</u>	<u>(2,321,461)</u>
EXPENDITURES				
Current:				
Street construction and maintenance	491,589	610,442	449,524	160,918
Capital outlay	<u>2,655,262</u>	<u>2,878,827</u>	<u>373,346</u>	<u>2,505,481</u>
Total expenditures	<u>3,146,851</u>	<u>3,489,269</u>	<u>822,870</u>	<u>2,666,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>491,745</u>	<u>190,328</u>	<u>535,266</u>	<u>344,938</u>
Net change in fund balance	491,745	190,328	535,266	344,938
Fund balances - beginning	<u>3,608,957</u>	<u>3,608,957</u>	<u>3,608,957</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,100,702</u>	<u>\$ 3,799,285</u>	<u>\$ 4,144,223</u>	<u>\$ 344,938</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
CDBG PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 106,300	\$ 135,996	\$ 150,644	\$ 14,648
Investment income	<u>379</u>	<u>379</u>	<u>936</u>	<u>557</u>
Total revenues	<u>106,679</u>	<u>136,375</u>	<u>151,580</u>	<u>15,205</u>
EXPENDITURES				
Community development	<u>80,000</u>	<u>80,000</u>	<u>81,936</u>	<u>(1,936)</u>
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>81,936</u>	<u>(1,936)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,679</u>	<u>56,375</u>	<u>69,644</u>	<u>13,269</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(51,475)</u>	<u>(51,475)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(51,475)</u>	<u>(51,475)</u>
Net change in fund balance	26,679	56,375	18,169	(38,206)
Fund balances - beginning	<u>11,603</u>	<u>11,603</u>	<u>11,603</u>	<u>-</u>
Fund balances - ending	<u>\$ 38,282</u>	<u>\$ 67,978</u>	<u>\$ 29,772</u>	<u>\$ (38,206)</u>

CITY OF FARMERSVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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, 2019, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Current:			
Buildings, grounds and parks	\$ 142,870	\$ 155,044	\$ (12,174)
Street construction and maintenance	-	-	-
Community development	179,631	410,081	(230,450)
Capital outlay	119,500	135,384	(15,884)
Debt service:			
Principal	20,000	29,436	(9,436)
Federal and States Grants Special Revenue Fund			
Current:			
Community development	537,000	575,150	(38,150)
Capital outlay	-	8,706	(8,706)
CDBG Program Income Special Revenue Fund			
Current:			
Community development	80,000	81,936	(1,936)

CITY OF FARMERSVILLE

**PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019
LAST 10 YEARS***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the net pension liability	0.0174%	0.0131%	0.0139%	0.0141%	0.0136%
Proportionate share of the net pension liability	\$ 1,089,879	\$ 895,761	\$ 1,202,578	\$ 1,394,031	\$ 1,308,300
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060	\$ 1,709,690
Proportionate share of the net pension liability as a percentage of covered payroll	81.28%	54.69%	63.36%	73.41%	76.52%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	82.38%	79.05%	79.56%	82.53%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

*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, 2019
LAST 10 YEARS***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 205,326	\$ 254,448	\$ 264,521	\$ 281,161	\$ 282,522	\$ 285,899
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>	<u>285,899</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060	\$ 1,709,690	\$ 1,869,089
Contributions as a percentage of covered payroll	15.31%	15.54%	13.94%	14.81%	16.52%	15.30%

*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, 2019

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 808,352	\$ 148,618	\$ 956,970
Intergovernmental receivables	<u>195,978</u>	<u>-</u>	<u>195,978</u>
Total assets	<u>\$ 1,004,330</u>	<u>\$ 148,618</u>	<u>\$ 1,152,948</u>
LIABILITIES			
Accounts payable	\$ 35,389	\$ -	\$ 35,389
Salaries and benefits payable	1,667	-	1,667
Due to other funds	<u>140,335</u>	<u>-</u>	<u>140,335</u>
Total liabilities	<u>177,391</u>	<u>-</u>	<u>177,391</u>
FUND BALANCES			
Restricted for:			
Public safety	261,285	-	261,285
Community development	77,683	-	77,683
Capital maintenance	<u>487,971</u>	<u>148,618</u>	<u>636,589</u>
Total fund balances	<u>826,939</u>	<u>148,618</u>	<u>975,557</u>
Total liabilities and fund balances	<u>\$ 1,004,330</u>	<u>\$ 148,618</u>	<u>\$ 1,152,948</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Developer fees	\$ 10,155	\$ 2,730	\$ 12,885
Charges for services	61,553	-	61,553
Intergovernmental	377,743	-	377,743
Investment income	<u>12,049</u>	<u>1,977</u>	<u>14,026</u>
Total revenues	<u>461,500</u>	<u>4,707</u>	<u>466,207</u>
EXPENDITURES			
Current:			
Public safety:			
Law enforcement	92,288	-	92,288
Buildings, grounds and parks	200,339	-	200,339
Street construction and maintenance	71,813	-	71,813
Community development	142,038	-	142,038
Capital outlay	16,193	-	16,193
Debt service:			
Principal	<u>14,553</u>	<u>-</u>	<u>14,553</u>
Total expenditures	<u>537,224</u>	<u>-</u>	<u>537,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,724)</u>	<u>4,707</u>	<u>(71,017)</u>
Net changes in fund balances	(75,724)	4,707	(71,017)
Fund balances - beginning	<u>902,663</u>	<u>143,911</u>	<u>1,046,574</u>
Fund balances - ending	<u>\$ 826,939</u>	<u>\$ 148,618</u>	<u>\$ 975,557</u>

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund	Police Grants	State and County Asset Forfeiture	CalHOME Program Income	HOME Program Income	Totals
ASSETS									
Cash and investments	\$ 17,982	\$ 80,025	\$ 366,825	\$ 19,795	\$ 241,696	\$ 2,727	\$ 69,395	\$ 9,907	\$ 808,352
Intergovernmental receivables	189,875	584	-	-	5,519	-	-	-	195,978
Total assets	<u>\$ 207,857</u>	<u>\$ 80,609</u>	<u>\$ 366,825</u>	<u>\$ 19,795</u>	<u>\$ 247,215</u>	<u>\$ 2,727</u>	<u>\$ 69,395</u>	<u>\$ 9,907</u>	<u>\$ 1,004,330</u>
LIABILITIES									
Accounts payable	\$ 24,668	\$ 1,597	\$ -	\$ 7,505	\$ -	\$ -	\$ 1,619	\$ -	\$ 35,389
Salaries and benefits payable	-	720	-	-	947	-	-	-	1,667
Due to other funds	140,335	-	-	-	-	-	-	-	140,335
Total liabilities	<u>\$ 165,003</u>	<u>\$ 2,317</u>	<u>\$ -</u>	<u>\$ 7,505</u>	<u>\$ 947</u>	<u>\$ -</u>	<u>\$ 1,619</u>	<u>\$ -</u>	<u>\$ 177,391</u>
FUND BALANCES									
Restricted for:									
Public safety	-	-	-	12,290	246,268	2,727	-	-	261,285
Community development	-	-	-	-	-	-	67,776	9,907	77,683
Capital maintenance	42,854	78,292	366,825	-	-	-	-	-	487,971
Total fund balances	<u>42,854</u>	<u>78,292</u>	<u>366,825</u>	<u>12,290</u>	<u>246,268</u>	<u>2,727</u>	<u>67,776</u>	<u>9,907</u>	<u>826,939</u>
Total liabilities and fund balances	<u>\$ 207,857</u>	<u>\$ 80,609</u>	<u>\$ 366,825</u>	<u>\$ 19,795</u>	<u>\$ 247,215</u>	<u>\$ 2,727</u>	<u>\$ 69,395</u>	<u>\$ 9,907</u>	<u>\$ 1,004,330</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund	Police Grants	State and County Asset Forfeiture	CalHOME Program Income	HOME Program Income	Totals
REVENUES									
Developer fees	\$ 600	\$ -	\$ 9,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,155
Charges for services	-	61,553	-	-	-	-	-	-	61,553
Intergovernmental	200,232	-	-	-	148,747	-	28,764	-	377,743
Fines and penalties	-	-	-	-	-	-	-	-	-
Investment income	237	1,064	4,881	349	2,930	78	2,374	136	12,049
Loan repayments	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>201,069</u>	<u>62,617</u>	<u>14,436</u>	<u>349</u>	<u>151,677</u>	<u>78</u>	<u>31,138</u>	<u>136</u>	<u>461,500</u>
EXPENDITURES									
Current:									
Public safety:									
Law enforcement	-	-	2,203	-	86,392	3,693	-	-	92,288
Buildings, grounds and parks	200,339	-	-	-	-	-	-	-	200,339
Street construction and maintenance	-	71,813	-	-	-	-	-	-	71,813
Community development	-	-	-	-	-	-	141,424	614	142,038
Capital outlay	7,698	-	-	8,495	-	-	-	-	16,193
Debt service:									
Principal	-	-	-	-	14,553	-	-	-	14,553
Total expenditures	<u>208,037</u>	<u>71,813</u>	<u>2,203</u>	<u>8,495</u>	<u>100,945</u>	<u>3,693</u>	<u>141,424</u>	<u>614</u>	<u>537,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,968)</u>	<u>(9,196)</u>	<u>12,233</u>	<u>(8,146)</u>	<u>50,732</u>	<u>(3,615)</u>	<u>(110,286)</u>	<u>(478)</u>	<u>(75,724)</u>
Net changes in fund balances	(6,968)	(9,196)	12,233	(8,146)	50,732	(3,615)	(110,286)	(478)	(75,724)
Fund balances - beginning	<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>902,663</u>
Fund balances - ending	<u>\$ 42,854</u>	<u>\$ 78,292</u>	<u>\$ 366,825</u>	<u>\$ 12,290</u>	<u>\$ 246,268</u>	<u>\$ 2,727</u>	<u>\$ 67,776</u>	<u>\$ 9,907</u>	<u>\$ 826,939</u>

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2019

	<u>Storm Drain Development Fund</u>
ASSETS	
Cash and investments	\$ <u>148,618</u>
Total assets	\$ <u><u>148,618</u></u>
FUND BALANCES	
Restricted for:	
Capital maintenance	\$ <u>148,618</u>
Total fund balances	<u>148,618</u>
Total fund balances	\$ <u><u>148,618</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, 2019**

	<u>Storm Drain Development Fund</u>
REVENUES	
Developer fees	\$ 2,730
Investment income	<u>1,977</u>
Total revenues	<u>4,707</u>
EXPENDITURES	
Current:	
Street construction and maintenance	<u>-</u>
Total expenditures	<u>-</u>
Net change in fund balance	4,707
Fund balance - beginning	<u>143,911</u>
Fund balance - ending	<u>\$ 148,618</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019**

	<u>Customer Utility Deposit</u>	<u>PD Hold Unadjudicated Evidence</u>	<u>Live Scan</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 72,593	\$ 11,202	\$ (3,229)	\$ 80,566
Accounts receivable	<u>-</u>	<u>-</u>	<u>703</u>	<u>703</u>
Total Assets	<u>\$ 72,593</u>	<u>\$ 11,202</u>	<u>\$ (2,526)</u>	<u>\$ 81,269</u>
LIABILITIES				
Accounts payable	80	-	240	320
Customer deposits	72,513	-	-	72,513
Due to other agencies	<u>-</u>	<u>11,202</u>	<u>(2,766)</u>	<u>8,436</u>
Total Liabilities	<u>\$ 72,593</u>	<u>\$ 11,202</u>	<u>\$ (2,526)</u>	<u>\$ 81,269</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019
(Continued)**

	Customer Utility Deposit			Balance June 30, 2019
	Balance June 30, 2018	Additions	Deductions	
ASSETS				
Cash and investments	\$ 69,344	\$ 22,541	\$ (19,292)	\$ 72,593
Total assets	<u>\$ 69,344</u>	<u>\$ 22,541</u>	<u>\$ (19,292)</u>	<u>\$ 72,593</u>
LIABILITIES				
Accounts payable	\$ 329	\$ 1,793	\$ (2,042)	\$ 80
Customer deposits	<u>69,015</u>	<u>22,790</u>	<u>(19,292)</u>	<u>72,513</u>
Total liabilities	<u>\$ 69,344</u>	<u>\$ 24,583</u>	<u>\$ (21,334)</u>	<u>\$ 72,593</u>

	PD Hold Unadjudicated Evidence			Balance June 30, 2019
	Balance June 30, 2018	Additions	Deductions	
ASSETS				
Cash and investments	\$ 11,051	\$ 151	\$ -	\$ 11,202
Total assets	<u>\$ 11,051</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ 11,202</u>
LIABILITIES				
Due to other agencies	\$ 11,051	\$ 151	\$ -	\$ 11,202
Total liabilities	<u>\$ 11,051</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ 11,202</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019
(Continued)**

	Live Scan			Balance June 30, 2019
	Balance June 30, 2018	Additions	Deductions	
ASSETS				
Cash and investments	\$ (2,261)	\$ 1,806	\$ (2,774)	\$ (3,229)
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ (1,558)</u>	<u>\$ 1,806</u>	<u>\$ (2,774)</u>	<u>\$ (2,526)</u>
LIABILITIES				
Accounts payable	\$ 66	\$ 3,014	\$ (2,840)	\$ 240
Due to other agencies	<u>(1,624)</u>	<u>-</u>	<u>(1,142)</u>	<u>(2,766)</u>
Total liabilities	<u>\$ (1,558)</u>	<u>\$ 3,014</u>	<u>\$ (3,982)</u>	<u>\$ (2,526)</u>

	Total			Balance June 30, 2019
	Balance June 30, 2018	Additions	Deductions	
ASSETS				
Cash and investments	\$ 78,134	\$ 24,498	\$ (22,066)	\$ 80,566
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ 78,837</u>	<u>\$ 24,498</u>	<u>\$ (22,066)</u>	<u>\$ 81,269</u>
LIABILITIES				
Accounts payable	\$ 395	\$ 4,807	\$ (4,882)	\$ 320
Customer deposits	69,015	22,790	(19,292)	72,513
Due to other agencies	<u>9,427</u>	<u>151</u>	<u>(1,142)</u>	<u>8,436</u>
Total liabilities	<u>\$ 78,837</u>	<u>\$ 27,748</u>	<u>\$ (25,316)</u>	<u>\$ 81,269</u>