

**CITY OF FARMERSVILLE
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022**

**CITY OF FARMERSVILLE
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, proportionate share of net pension liability, and schedule of contributions, as noted in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual 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 January 31, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
January 31, 2023

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**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022. 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 \$75,373,596 (net position). Of this amount, \$14,326,136 (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 \$16,810,372 from the prior fiscal year. Governmental activities increased the City's total net position by \$14,257,355 and business-type activities increased by \$2,553,017.

While the major changes for the fiscal year ended June 30, 2022 are due to fluctuations on both the expense and revenues sides of the equation, the City is, like the previous years, subject to impact of the timing of both the expenses and reimbursement of several large projects while operations remain largely the same. The fiscal year ended June 30, 2022 increases in activities are dominated by more street construction and maintenance, American Rescue Plan Act (ARPA) funding, and cannabis business tax revenue (Measure Q).

Total Governmental Activities in the few prior fiscal years have typically been over \$2,000,000 net expense but Fiscal Year 2021 was an exception at only \$907,771 net expense. Fiscal Year 2022 has seen a jump to \$5,735,216 net revenues in activities because delayed reimbursement for capital grants and contributions were finally received and offset what would be a relatively normal amount of expenditures, considering the project underway the last several years.

This figure is anticipated to stay at elevated levels in future years as the City continues in its aggressive capital improvement plan primarily funded by grants and loans which typically lag in their reimbursement. Funds in special revenue funds are also expected to be depleted as more road construction in the future is planned to use up stored funds.

The operations of the City remain largely unchanged with the exception of some cost increases in the Fire Department, Community Development, and Administration Department costs compared to the prior year. The Police Department remains the largest of the operational costs of the City (about 35% of all Governmental expenses this year) at a net expense of \$1,981,181 after program revenues are applied.

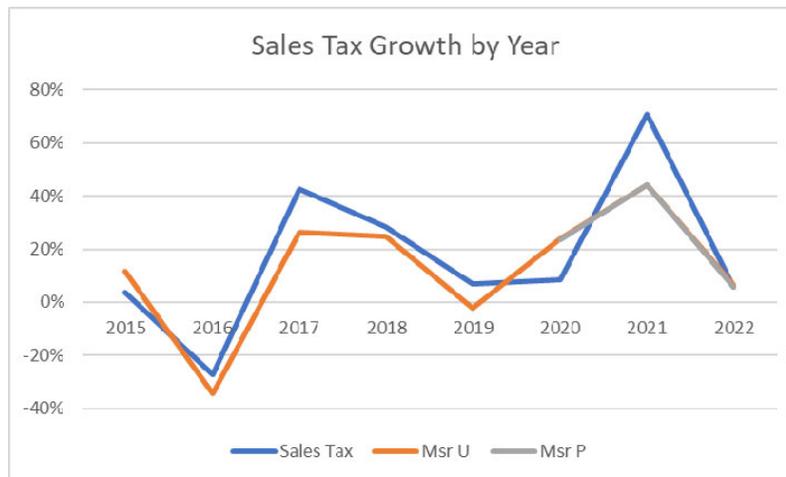
While Police related expenses stayed about the same from the prior year Fire Department, Community Development, and Administration Department expenses increased dramatically (about 37%, 18%, and 88% respectively) during the same time. So, as a percentage, the departments appear more equal this year but the nearly \$650,000 more spent in these other departments this year were mostly one-time expense like a new Fire Engine, or one-time Additional Discretionary Payment toward CalPERS debt. The Police department did not have those costs and so their costs were more stable while the other departments appeared to grow significantly because of the one-time expenses.

Concurrently, the City also received substantially more revenues in the fiscal year ended June 30, 2022 than in prior years for two reasons. First, the City continues to experience volatile swings in sales tax revenue growth, upon which it is dependent for supporting ongoing operations of essential services with fixed costs. This is a difficult figure to forecast and more difficult to ensure that they are sufficient for ongoing operations year after year. Second, the largest revenue impact was the one-time infusion of cash from the American Rescue Plan Act (ARPA) allocation from the US Treasury totaling \$2,560,386.

While it is possible to conclude that this combination of on-going and one-time amounts of revenue growth means that Farmersville is healthier than its neighbors, it must also be considered that these significant changes are primarily driven by large one-time changes that are not on-going or that all Cities received (ARPA) and are not to be assumed that the trend will continue. Additionally, a small change in legislation, market share, business ownership, or supply chain delays, could dramatically change the on-going tax revenue generated for the City too.

So, as a percentage, the growth appears weighty, yet as an overall sustainable cashflow, these increases are helpful but should not be counted upon for the future. The chart below illustrates dramatic changes in on-going Sales Tax revenue cashflow from year to year:

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**



For this reason, the City has adopted, and continues to execute, a conservative budgetary approach of fine-tuning budgetary expenditures (of which there is some control) and under-estimating revenues (of which there is nearly no control) and maintaining appropriate reserve levels so that the City Council, Management, and the residents of Farmersville in whole, remain unaffected, and in the long term, are more successful with greater resources available to them throughout unpredictable times.

It is also worthy of note that the fiscal year ended June 30, 2022 concluded the second full year of tax receipts from the new cannabis businesses located in Farmersville. These businesses, not only have an impact through Measure Q Cannabis Business Taxes but also through sales tax revenues of which these businesses are also subject to. Measure Q revenues totaled \$1,303,701 which was a surprising downturn from the prior year amount of \$1,451,278 (about -10%). Because of unpredictable cashflow behavior such as this, the City has adopted a strategy of considering Measure Q revenue as one-time funding and conservatively spending from the amount of cash already in hand to avoid a dangerous position of over-extended expenses before unrealized revenues arrive.

However, the City was still able to support six different departments with these funds through vehicle purchases, equipment purchases, various projects in Parks and around the City. The remainder of the funds were reserved for future projects detailed out in the Capital Improvement Plan as part of the City's budget document available on the City website. More detail is also available about the expenditures in the Annual Measure Q Report also available on the City website.

Additionally, the third permitted dispensary may open in the coming year increasing this revenue further when that occurs. In keeping with the fiscally conservative budgeting process, the City has not budgeted any anticipated revenues from this third location for future fiscal years until it is operating.

This Measure Q revenue source remains precarious with legal and regulatory changes from the State that are frequent and significant. Simultaneously, growth in the industry could reduce the revenue with market saturation in the area outpacing demand and/or new municipal locations allowing Cannabis sales potentially demanding market share Farmersville currently enjoys without major local competition or disruption. These declines were realized in the last year and is clearly demonstrated by reductions in revenue in Farmersville and across the State.

Finally, the City is consistently completing major capital projects each year in the tens of millions of dollars to provide improved roads, parks, and facilities City-wide while simultaneously raising service levels and expanding staffing levels. Much of this success is only made possible by hard work done over the years representing the long road back from the fiscal emergency declared in Fiscal Year 2012 by staying the course with strategic, conservative measured growth.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

At June 30, 2022, the City's governmental funds reported combined ending fund balances of \$15,616,679 an increase of \$4,282,863 in comparison with the prior year. Changes in several categories affected the combined fund balance of the City in the fiscal year ended June 30, 2022. Compared to the prior year, the largest change was in the General Fund and change was primarily related to the American Rescue Plan Act (ARPA) allocation received by the City from the US Treasury mentioned earlier in this report increasing cash and investments of the City.

Other changes were related to the Street Tax Special Revenue Fund. This Fund contains several different funding sources applied to multiple road improvement projects currently underway or recently. 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 outside of the General Fund. More specific data regarding these balances can be seen on the Balance Sheet – Governmental Funds on page 28 of this report.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,555,160. This represents a \$1,956,134 increase to the unassigned fund balance of \$4,599,026 reported at June 30, 2021. Compared to the prior year, the fiscal year ended June 30, 2022 finished significantly higher. The unassigned fund balance is a direct result of the increased sales tax revenues, new revenues received in the year, and increased reserves. The unassigned fund balance is critical to the health of the City to plan for future economic uncertainty and also to fund ongoing Capital Improvements and other deferred maintenance items. This change represents a 43% increase to unassigned fund balance. Within the unassigned balance listed on Balance Sheet on page 28 are funds reserved by policy and reserved for specific one-times uses but are lumped together in compliance with GASB 54 financial statement standards.

The first reserved portion of the unassigned balance is the General Fund Reserve and is approximately \$1,439,869 as of June 30, 2022. As noted on page 39 (in Note 1 to the financial statements) the City's budget and fiscal policy requires that the City to maintain General Fund operating cash balance equal to approximately 25% of the 3-year moving average of the actual revenue received. This balance meets that policy requirement and is held in a separate fund, 102.

Additionally, the second reserved portion of the unassigned balance which is reserved for one-time budgeted expenses is the Measure Q Cannabis Business Tax Fund and is approximately \$1,462,839 as of June 30, 2022. Each year, the City Council approves the budget and the 5-year Capital Improvement Plan to transparently spend these funds on appropriate projects, equipment, and services. This balance is held in reserve for these purposes in a separate fund, 104.

Finally, ARPA funds (total allocation of \$2,560,386) accounts for a portion of these unassigned funds as well. These funds are slated for numerous projects and other purchases throughout the City at the direction of the City Manager and City Council. This balance is held in reserve for these purposes in a separate fund, 60.

While these funds are technically unassigned there is a higher amount of unfunded capital budget items than available cash currently. Therefore, the City will diligently pursue appropriate funding sources and ensuring that minimum fund balances and contingency funds are ready for economic hardships in the future while still completing the budgeted goals of the City.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The City's total long-term debt (payable after 1 year) of \$17,304,595 decreased by \$3,078,505 compared to last year (Statement of Net Position, pg.24). The City's long-term debt is made up of several parts:

- compensated absences (amounts owed to employees as vacation or sick time),
- loans payable (debt to pay for the wastewater treatment plant),
- capital leases payable (ongoing police vehicle purchase program and other equipment),
- net pension liability (amount owed to CalPERS for pension costs for current and former employees).

While this dollar amount is significant, the City has kept compensated absence debt lower by policy through capping vacation accruals. It has also reduced capital leases payable by securing competitive funding and buying assets with cash when appropriate. It has also reduced net pension liability principal debt by making routine Additional Discretionary Payments (ADPs) toward the Unfunded Accrued Liability (UAL) with CalPERS (and positive CalPERS investment returns applied against the debt).

However, this debt is dominated by the portion owed on the wastewater treatment plant asset - \$15,874,914 as of June 30, 2022. This debt is currently the best deal for the City as it was significantly reduced by \$2,224,189 in loan forgiveness and \$3,775,811 in grant funds that would otherwise make this debt burden, and associated debt service, very difficult. The long-term liability related to the Wastewater Treatment Plant Expansion project is two separate debt instruments for 30 and 40 years respectively.

The City continued in the capital leasing programs for Police Department equipment which will add to fluctuation in these debt amounts, but for a much shorter time period 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 24 through 25 of this report.

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

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

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

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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 14 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, 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 nonmajor 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 28 through 32 of this report. *Proprietary funds*. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. The City uses enterprise funds to account for its water, sewer, and refuse operations.

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

The basic proprietary fund financial statements can be found on pages 33 through 35 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 36 through 37 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 38 through 66 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 68 through 73 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 76 through 81.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 \$75,373,596 at June 30, 2022.

**Condensed Statement of Net Position
June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 17,684,624	\$ 12,483,573	\$ 9,659,557	\$ 10,736,074	\$ 27,344,181	\$ 23,219,647
Capital assets	<u>39,161,346</u>	<u>29,902,095</u>	<u>28,046,202</u>	<u>28,110,656</u>	<u>67,207,548</u>	<u>58,012,751</u>
Total assets	<u>56,845,970</u>	<u>42,385,668</u>	<u>37,705,759</u>	<u>38,846,730</u>	<u>94,551,729</u>	<u>81,232,398</u>
Deferred outflows of resources	<u>664,198</u>	<u>601,900</u>	<u>228,408</u>	<u>135,238</u>	<u>892,606</u>	<u>737,138</u>
Current liabilities	1,389,514	1,187,110	380,585	1,741,393	1,770,099	2,928,503
Long-term liabilities outstanding	<u>1,051,006</u>	<u>1,790,351</u>	<u>16,253,589</u>	<u>18,592,749</u>	<u>17,304,595</u>	<u>20,383,100</u>
Total liabilities	<u>2,440,520</u>	<u>2,977,461</u>	<u>16,634,174</u>	<u>20,334,142</u>	<u>19,074,694</u>	<u>23,311,603</u>
Deferred inflows of resources	<u>828,976</u>	<u>25,051</u>	<u>167,069</u>	<u>40,813</u>	<u>996,045</u>	<u>65,864</u>
Net position:						
Net investment in capital assets	38,928,045	29,815,675	12,171,285	9,174,725	51,099,330	38,990,400
Restricted	7,945,743	6,092,108	2,002,387	2,163,715	9,948,130	8,255,823
Unrestricted	<u>7,366,884</u>	<u>4,077,273</u>	<u>6,959,252</u>	<u>7,268,573</u>	<u>14,326,136</u>	<u>11,345,846</u>
Total net position	<u>\$ 54,240,672</u>	<u>\$ 39,985,056</u>	<u>\$ 21,132,924</u>	<u>\$ 18,607,013</u>	<u>\$ 75,373,596</u>	<u>\$ 58,592,069</u>

The largest portion of the City's net position, \$51,099,330 (68%) 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 \$14,326,136 (19%) represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining balance of \$9,948,130 (13%) represents resources that are subject to external restrictions on their use.

The net position of Governmental Activities increased by \$14,255,616, accounting for 85% of the total increase in the net position of the City of Farmersville as compared to the prior fiscal year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

**Condensed Statement of Activities
For the Years Ended June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 569,557	\$ 526,316	\$ 4,015,875	\$ 3,899,828	\$ 4,585,432	\$ 4,426,144
Operating grants and contributions	2,384,604	1,299,227	14,356	-	2,398,960	1,299,227
Capital grants and contributions	9,580,402	3,776,301	2,255,683	16,267	11,836,085	3,792,568
General revenues:						
Property taxes	1,566,661	1,509,127	-	-	1,566,661	1,509,127
Sales taxes	2,929,081	2,770,742	-	-	2,929,081	2,770,742
Cannabis taxes	1,303,701	1,451,278	-	-	1,303,701	1,451,278
Franchise taxes	182,888	163,836	-	-	182,888	163,836
Other taxes	13,395	10,021	-	-	13,395	10,021
Motor vehicle in-lieu	-	-	-	-	-	-
Rental income	210,250	218,408	-	-	210,250	218,408
American Rescue Plan Act	2,560,386	-	-	-	2,560,386	-
Earning on investments	(511,502)	(3,929)	53,819	64,368	(457,683)	60,439
Miscellaneous	24,279	59,370	118,027	-	142,306	59,370
Settlement revenue	-	-	582,359	-	582,359	-
Total revenues	<u>20,813,702</u>	<u>11,780,697</u>	<u>7,040,119</u>	<u>3,980,463</u>	<u>27,853,821</u>	<u>15,761,160</u>
Expenses:						
City council	23,167	4,452	-	-	23,167	4,452
Administration	962,963	568,907	-	-	962,963	568,907
City properties	57,309	67,209	-	-	57,309	67,209
Public safety:						
Law enforcement	2,402,859	2,731,279	-	-	2,402,859	2,731,279
Fire services	599,318	494,592	-	-	599,318	494,592
Animal control	67,705	78,370	-	-	67,705	78,370
Buildings, grounds and parks	1,140,800	753,027	-	-	1,140,800	753,027
Street construction and maintenance	795,697	1,034,689	-	-	795,697	1,034,689
Community development	748,573	773,161	-	-	748,573	773,161
Interest and fiscal charges	956	-	-	-	956	-
Water	-	-	1,050,863	1,053,654	1,050,863	1,053,654
Sewer	-	-	2,278,230	1,340,108	2,278,230	1,340,108
Refuse	-	-	915,009	826,347	915,009	826,347
Total expenses	<u>6,799,347</u>	<u>6,505,686</u>	<u>4,244,102</u>	<u>3,220,109</u>	<u>11,043,449</u>	<u>9,725,795</u>
Change in net position before transfers	14,014,355	5,275,011	2,796,017	760,354	16,810,372	6,035,365
Transfers	243,000	-	(243,000)	-	-	-
Change in net position	<u>14,257,355</u>	<u>5,275,011</u>	<u>2,553,017</u>	<u>760,354</u>	<u>16,810,372</u>	<u>6,035,365</u>
Net position - beginning	39,985,056	34,710,045	18,607,013	17,846,659	58,592,069	52,556,704
Prior period adjustments	(1,739)	-	(27,106)	-	(28,845)	-
Net position - beginning (restated)	<u>39,983,317</u>	<u>34,710,045</u>	<u>18,579,907</u>	<u>17,846,659</u>	<u>58,563,224</u>	<u>52,556,704</u>
Net position - ending	<u>\$ 54,240,672</u>	<u>\$ 39,985,056</u>	<u>\$ 21,132,924</u>	<u>\$ 18,607,013</u>	<u>\$ 75,373,596</u>	<u>\$ 58,592,069</u>

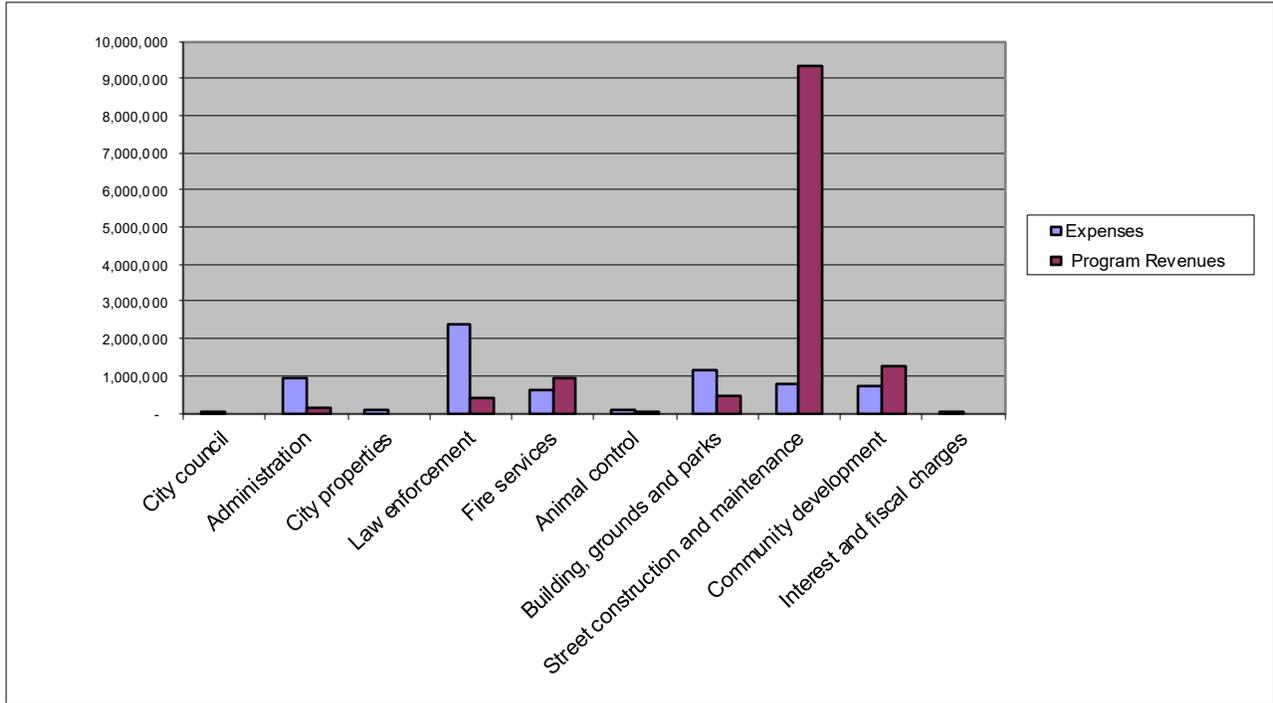
**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Key elements of the increase/decrease in revenue for governmental activities are as follows (the first two columns of the Condensed Statement of Activities, previous page):

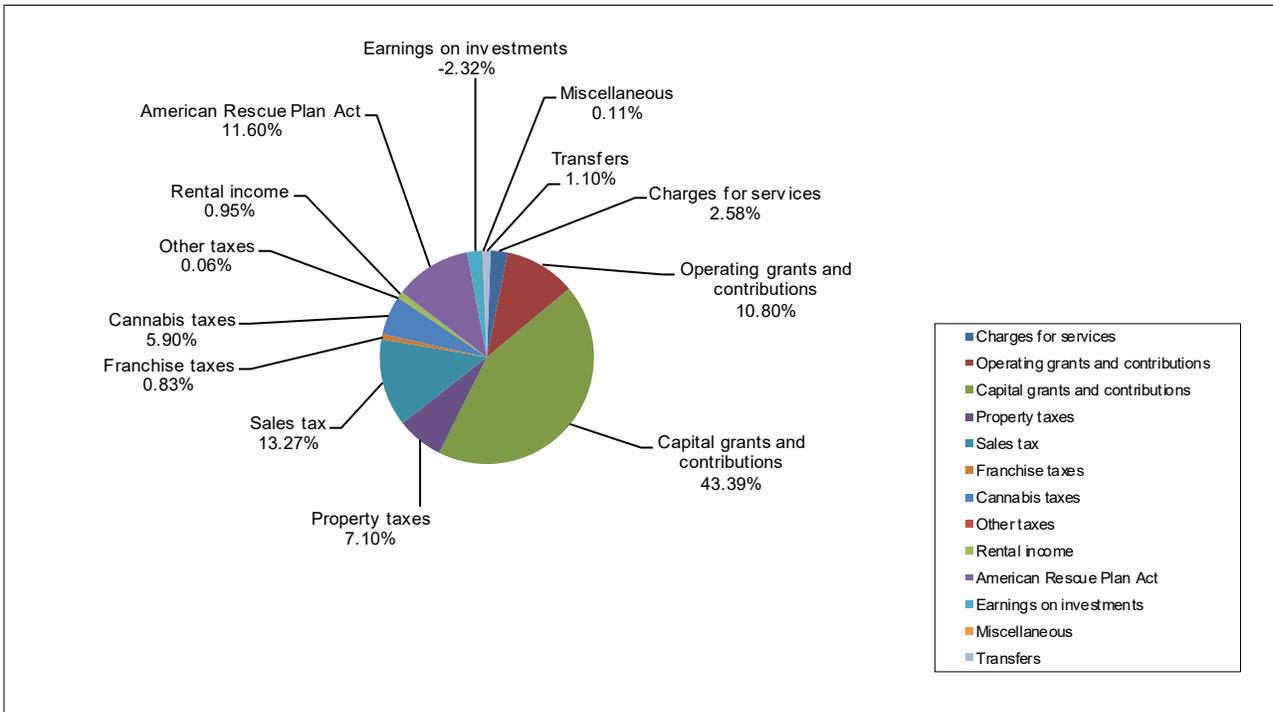
- Total Governmental Expenses increased by \$293,661 or about 5% while Governmental Revenues increased by \$9,033,005 or about 77% in the same period.
- Charges for services increased by \$43,421 or 8% to \$569,557 from the prior year, reversing the trend. This is due mostly to Fire Personnel began responding to State-wide disaster-related calls for mutual aid compared to the prior year when they did not.
- Governmental operating grants and contributions increased by \$1,085,377, or 84%, from the prior year to \$2,384,604. This growth is the net result of grants and transfers in several different statuses spread across several departments and funds. This is a positive trend as the City is receiving reimbursement for grants that support operational expenses and other projects.
- Capital Grants and Contributions reversed direction and increased by \$5,804,101 or 154% to \$9,580,402 from the prior year. Like the governmental operating grants, this increase is primarily caused by the change in activity with street projects, and other capital purchases during the year. As the City completes projects and starts new ones that are reimbursed from these funding agencies will naturally ebb and flow. However, the City's Capital Improvement Plan indicates that more road projects funded by Measure R will occur in future years and so this figure is anticipated to increase again at that time.
- Property taxes increased by \$57,534 or 4% to \$1,566,661 from the prior year. This increase is as expected for the year and consistent with past years performance.
- Sales tax revenues increased \$158,339, or nearly 6%, from the prior year to \$2,929,081. This is the first year of Sales Tax leveling off after 4 years of significant increase in Sale tax revenues in a row (increases in 2018 by 60%, 2019 by 35%, 2020 by 17%, and 2021 by 56%). There are several factors impacting this revenue source over the last several years, the most significant of which are Measure P sales tax receipts, increases in gas prices, the impact of the South Dakota v. Wayfair result regarding taxation of online purchases, and Cannabis Dispensary sales revenues. 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. Online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City. The addition of cannabis businesses also impacted sales tax significantly for the period as they joined the top sales tax performers in the City. The City has now seen all of these new sources level off or drop resulting in slower growth.
- The second full year of revenues from the Cannabis Business Tax this year made a significant reversal and ended with a decrease of \$147,577 or about 10% to \$1,303,701 (2021 was \$1,452,278) with taxes collected June 30, 2022. This represents a 5% tax on the gross sales of cannabis from only a handful of businesses within Farmersville. While this is still an overall substantial increase to City revenues, the declining trend is State-wide and anticipated to continue. The City will anticipate this reversal and accordingly reduce spending to match.
- Franchise taxes increased by \$19,052 or 12% to \$182,888 from the prior year (2021 grew 9%, and 2020 by 7%). Most franchise fees stayed at 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. Additional changes to franchise fees are anticipated in the future with more fiberoptic service expansion underway in the City.
- Earnings on investments stayed at \$0 again this year (actual returns were offset by unrealized asset losses). The City operates an investment strategy of buy and hold with most investments. This means that at time when the interest rates are favorable to the market value of these investments the securities will gain value. In this last year, the interest rate environment changed quickly, and the value of the investments decreased just as dramatically. Nevertheless, the ultimate value of the security remains unchanged, and the interest / dividend rate remains unchanged in the long run unless the security is sold early. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large downswing in value this year is a continuation of reaction to the current market conditions caused by the stimulus injected into the markets by the Federal Government to offset the temporary economic shut-down caused by shelter-in-place orders relative to the COVID-19 health crisis.
- All remaining revenue types displayed above are in line with prior year revenues reported.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Key elements of the increase/decrease in expenses for governmental activities are as follows (the first two columns of the Condensed Statement of Activities, previous page):

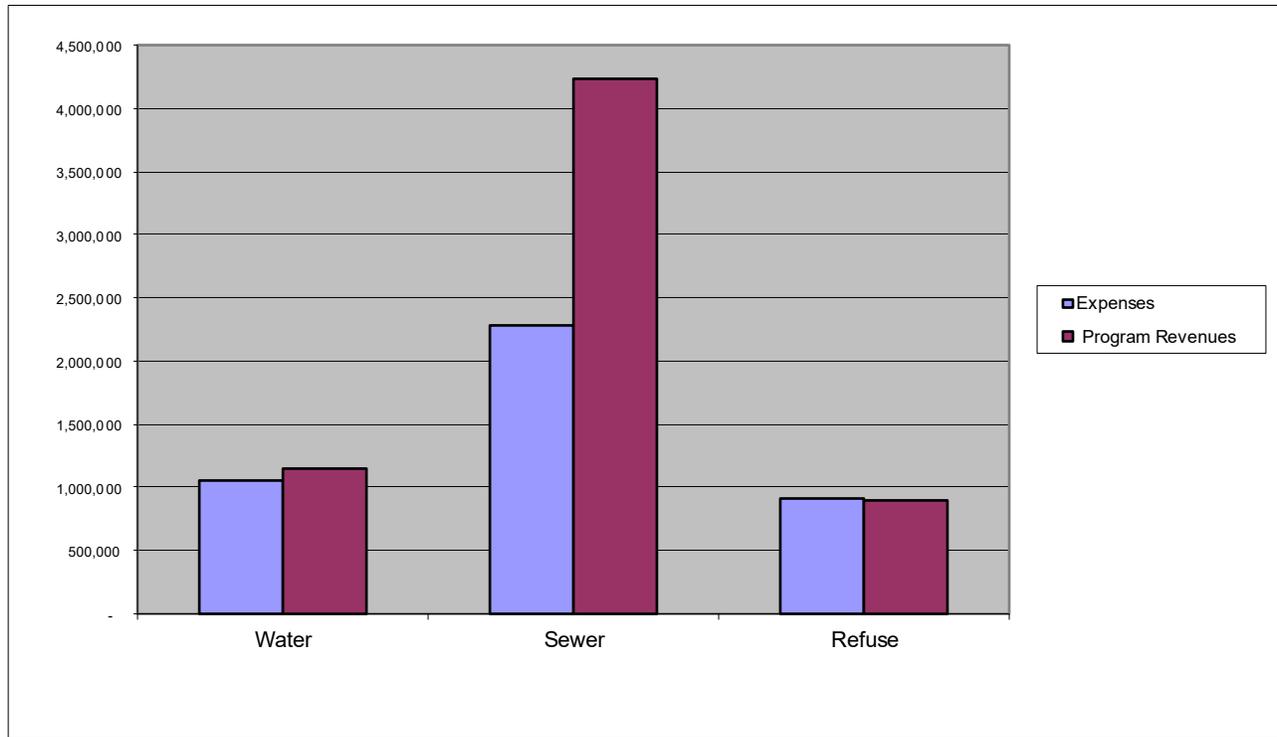
- Total Governmental Expenses increased by \$460,997 or about 7% while Governmental Revenues increased by \$9,033,005 or about 77% in the same period.
- City council expenses increased by \$18,715 or 420% to \$23,167 from the prior year due to increased Council Member travel after the pandemic restrictions eased. This is a reversal of the trend from the prior years but is still within budgeted amounts.
- Administration expenses increased by \$394,056 or 69% to \$962,963 from the prior year. This is primarily due to increased administrative burdens related to more programs, grants, insurance costs, and additional staff needed for these efforts. As the City increases the complexity and size of its operations the administrative cost will also increase.
- City properties expenses decreased by \$9,900 or 15% to \$57,309 from the prior year. 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. Swings in expense are expected as many one-time maintenance and repair costs are not consistent annual costs.
- Law enforcement expenses increased slightly this year. Expense dropped by \$328,420 or 12% to \$2,402,859 from the prior year. While this is not a significant change it is substantial in that it pauses the upward trend upward each year since 2017. Law Enforcement remains the City's largest operational expense and its prudent operation is important to the City's financial wellbeing.
- Fire services expenses increased substantially by \$104,706 or 21% to \$599,318 from the prior year. This significant change is due to the restructuring of the department to include a new Battalion Chief position full time for the year.
- Buildings, Grounds, and Parks increased dramatically again in 2022 by \$387,773 or 51% to \$1,140,800. This is a similar growth from the prior years of 107% in 2021 and 89% in 2020. This is caused by a focus on maintenance work in the parks and parkways and the hiring of temporary staff to combat this deferred maintenance need as directed by City Council.
- Street construction and maintenance expenses decreased by \$238,992 or 23% to \$795,697 from the prior year. As the City completes various street projects this will decrease and increase as the activity levels change. The road construction project on Farmersville Blvd. is complete but reimbursement is still lagging. However, this is the only major road project active in 2022 which explains the decrease in spending. Projects are variable in size, duration, and expense and will cause this category to change dramatically from year to year potentially.
- Community development expenses decreased by \$24,588 or 3% to \$748,573 from the prior year. This continues the trend of decreases from the prior years (73% in 2019, and 39% in 2020, and 15% in 2021). The decrease is primarily related to the City's completion of grant-funded projects and a reduction of unreimbursed activity. The City has entered a new phase with many grants and a restructuring of the licensing and permitting process to correctly recoup expense cost in this department. These expenses will continue to level out to some degree but will vary depending upon the grant activity of the City.
- 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, 2022**

Business-type activities. Business-type activities were stable for the period but the City's net position increased by \$2,525,911 over the prior fiscal year. Key elements of this increase are as follows:

- Much like the prior year when grants funds needed to be reclassified from debt, the City needed to restate the level of debt incurred again this year by the agreement with the California Water Resources Control Board to reflect the \$2,239,416 in loan forgiveness. Since these funds were received and not subject to repayment they were reclassified from debt / liability to cash / revenue in the prior period thus changing the beginning net position of the sewer fund and the schedule of Net Position on the previous page.
- Some of the outstanding losses related to non-payment of utility accounts by Governor Newsom's executive order are slowly being resolved by way of State assistance programs repaying these outstanding bills either directly from the State to the City (through the Arrearages program) or to City customers through the LIHWAP (Low Income Housing Assistance Program). Some debt is therefore left unmanaged and unresolved pending the conclusion of the programs.
- Water expenses decreased by \$2,791 or nearly even from the prior year to \$1,050,863. Meanwhile, Sewer expenses increased by \$938,122 or 70% from the prior year to \$2,278,230, which is still related to the massive transition to the new wastewater treatment plant operations. Refuse expenses increased by \$88,662 or 11% from the prior year to \$915,009 due to the increased costs to operate in compliance with State mandates which is paid for by the scheduled rate increase for the year

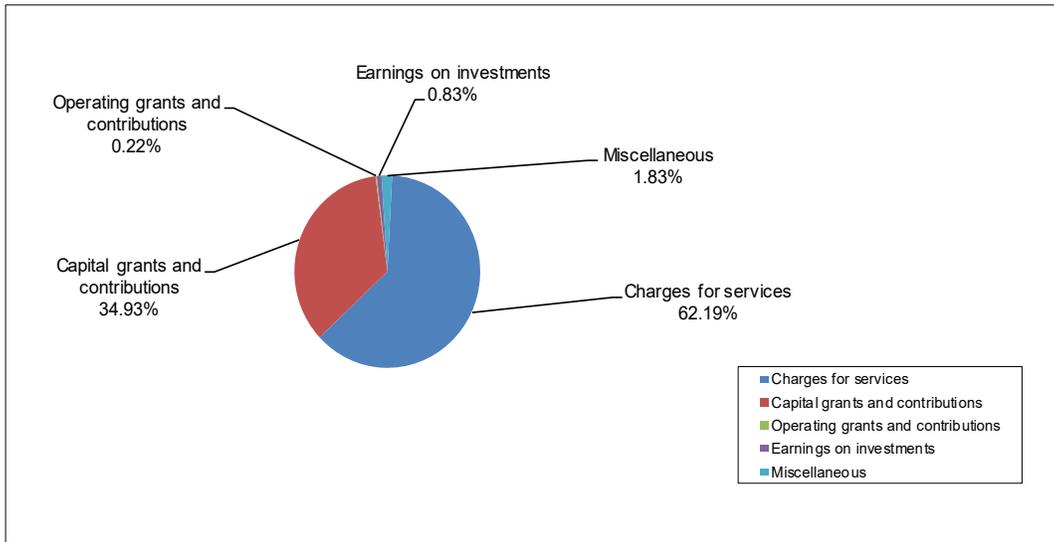
Expenses and Program Revenue – Business-Type Activities



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. These revenues and expenses are expected to normalize after the construction project is completed in the fiscal year ending June 30, 2022. For more specific information regarding the capitalized cost and reimbursement for those costs please refer to the Single Audit Report for the fiscal year ending June 30, 2022.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Revenue by Source – Business-Type Activities



There are no other significant revenue sources for the business-type activities (utility funds) other than charges for services and an occasional grant as demonstrated in the chart above. Fund operating costs are barely covered by charges for services and any fund balance is reserved for asset replacement. However, these rates are not likely to be able to rebuild any fund balance should the cash be depleted for asset replacement purposes or any other reason.

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 \$15,616,679, an increase of \$4,282,863 in comparison with the prior year. Of this total amount, \$9,135,694 is either non-spendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$6,480,985 at June 30, 2022. This represents an increase of \$1,881,959 from the prior year unassigned fund balance of \$4,599,026 at June 30, 2021.

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 \$6,921,994 and the unassigned fund balance shows a balance of \$6,555,160 at June 30, 2022.

The fund balance of the City's General Fund increased by \$2,356,609 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, 2022**

**Revenue by Source
GENERAL FUND**

	FY2022		FY2021		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Property taxes	\$ 1,553,098	16.21%	\$ 1,500,842	21.89%	\$ 52,256	1.92%
Sales taxes	2,929,081	30.58%	2,770,742	40.41%	158,339	5.82%
Cannabis taxes	1,303,701	13.61%	1,451,278	21.17%	(147,577)	-5.42%
Other taxes	209,846	2.19%	182,142	2.66%	27,704	1.02%
Licenses and permits	143,574	1.50%	107,151	1.56%	36,423	1.34%
Charges for services	332,995	3.48%	310,045	4.52%	22,950	0.84%
Intergovernmental	3,401,575	35.51%	267,415	3.90%	3,134,160	115.14%
Fines and penalties	20,217	0.21%	39,445	0.58%	(19,228)	-0.71%
Investment income	(540,349)	-5.64%	(50,592)	-0.74%	(489,757)	-17.99%
Rent	210,250	2.20%	218,408	3.19%	(8,158)	-0.30%
Miscellaneous	14,279	0.15%	59,370	0.87%	(45,091)	-1.66%
Total	\$ 9,578,267	100.00%	\$ 6,856,246	100.00%	\$ 2,722,021	100.00%

- Property taxes increased by \$52,256 or 3% from the prior year to \$1,553,098. Property tax revenue growth slowed compared to the prior fiscal year. The housing supply shortage in the area has boosted values of real estate impacting taxes paid. However, the State mandated swap between Vehicle License Fees (VLF) and property taxes is also counted here and continues to be impacted by supply chain delays across California, slowing revenue growth.
- Sales tax revenues increased \$158,339, or nearly 6%, from the prior year to \$2,929,081. This is the first year of Sales Tax leveling off after 4 years of significant increase in Sale tax revenues in a row (increases in 2018 by 60%, 2019 by 35%, 2020 by 17%, and 2021 by 56%). There are several factors impacting this revenue source over the last several years, the most significant of which are Measure P sales tax receipts, increases in gas prices, the impact of the South Dakota v. Wayfair result regarding taxation of online purchases, and Cannabis Dispensary sales revenues. 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. Online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City. The addition of cannabis businesses also impacted sales tax significantly for the period as they joined the top sales tax performers in the City. The City has now seen all of these new sources level off or drop resulting in slower growth.
- The second full year of revenues from the Cannabis Business Tax this year made a significant reversal and ended with a decrease of \$147,577 or about 10% to \$1,303,701 (2021 was \$1,452,278) with taxes collected June 30, 2022. This represents a 5% tax on the gross sales of cannabis from only a handful of businesses within Farmersville. While this is still an overall substantial increase to City revenues, the declining trend is State-wide and anticipated to continue. The City will anticipate this reversal and accordingly reduce spending to match.
- Other taxes increased by \$27,704 or 15% from the prior year to \$209,846. A variety of revenue sources had positive results leading to a healthy increase primarily associated with real estate transfer taxes and other fees paid to the City.
- Licenses and permits increased by \$36,423 or 34% from the prior year to \$143,574. This is a similar increase to the prior year. This revenue source has normal ebbs and flows with the demand for permitted projects and other activities. Activity did increase partially due to pandemic impacts in the economy and stay at home orders being lifted but also increased in some categories potentially spurred by the City updating fee schedules. The updates to fees may have some moderate increases in future years as well. Services fees increases became effective effective January 2022.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

- Charges for services increased by \$22,950 or 7% from the prior year to \$332,995. 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 2022, a change from 2021 and so the revenues increased slightly as a result.
- Intergovernmental increased by \$3,134,160 or 1,172% from the prior year to \$3,401,575. The primary reason for this increase is the ARPA (American Rescue Plan Act) allocation during the COVID-19 health crisis for over \$2,500,000. This is a one-time revenue item that came from the US Treasury.
- Fines and penalties decreased by \$19,228 or 49% from the prior year to \$20,217. These revenues are associated primarily with Code Enforcement actions are reactionary to the demand and situations presented to the City throughout the year. With the hiring of a new full-time code officer, these revenues will likely increase in future years as well but are reactionary to circumstances at hand and not necessarily an indicator of performance.
- Losses on investments increased by \$489,757 or 968% from the prior year to \$-540,349 (more loss than prior year). As described previously in this report, when the interest rate environment changes to an unfavorable environment the value of the investments will decrease and vice versa. Nevertheless, the ultimate value of the security remains unchanged and the interest / dividend rate remains unchanged. These losses are unrealized to the City and actual cash payments have increased because of security yield increasing. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large downswing in value this year is a result of the quick, but temporary decreasing rate environment in Fiscal Year 2022.
- Rental income decreased by \$8,158 or 4% from the prior year to \$210,250. The increase is attributable to the normal increases in rent included in contracts with leases of City property. New agreements were put in place for some of the properties and slightly increased this revenue for Fiscal Year 2021 compared to prior years.
- Miscellaneous revenues decreased by \$45,091 or 76% from the prior year to \$14,279. The decrease was due to receipt of less unrelated one-time revenues than the prior fiscal year.

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

**Expenditures by Function
GENERAL FUND**

	FY2022		FY2021		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
City council	\$ 23,167	0.33%	\$ 4,452	0.09%	\$ 18,715	0.84%
Administration	945,612	13.66%	503,262	10.72%	442,350	19.86%
City properties	70,984	1.03%	53,737	1.14%	17,247	0.77%
Law enforcement	2,758,394	39.85%	2,316,661	49.34%	441,733	19.84%
Fire services	663,793	9.59%	491,976	10.48%	171,817	7.72%
Animal control	67,742	0.98%	74,534	1.59%	(6,792)	-0.31%
Buildings, grounds and parks	487,730	7.05%	423,593	9.02%	64,137	2.88%
Community development	435,716	6.29%	533,867	11.37%	(98,151)	-4.41%
Capital outlay	1,461,344	21.11%	246,010	5.24%	1,215,334	54.58%
Debt Service	7,512	0.11%	47,067	1.00%	(39,555)	-1.78%
Total	\$ 6,921,994	100.00%	\$ 4,695,159	100.00%	\$ 2,226,835	100.00%

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

City council expenditures increased by \$18,715 or 420% from the prior year to \$23,167 from the prior year due to increased Council Member travel and activity related to pandemic stay at home orders being lifted.

- Administration expenditures increased by \$442,350 or 88% from the prior year to \$945,612. General increases in cost and more administrative activity related to personnel expense, legal fees, other professional fees, and insurance costs account for the increase in this category again this year primarily. The City has taken on an increasing number of complex situations that demand more administrative work, and therefore cost. The insurance market continues to be "hard" which usually results in increased cost to the City. The City also hired a much-needed full-time Human Resources Manager and continues to make additional payments toward CalPERS debt which also increase expense in this department.
- 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. These vary from year to year as they are mostly one-time repairs or changes made to the properties.
- Law enforcement expenditures increased by \$233,924 or 9% from the prior year to \$2,758,394. Typically, these costs will go up each year closely matching the increasing costs related to salaries and benefits. Rising costs related to overtime (more hours at higher pay is a higher cost) and capital purchases and a remodel project for the office all contributed to increased costs from the prior year. The department has hired all budgeted staff bringing the costs up as many past years had salary savings while positions were being filled.
- Fire services expenditures increased by \$181,007 or 37% from the prior year to \$663,793. The biggest change in this department is a large increase in salary and benefit costs due to an adjustment made through labor negotiations to bring the officer pay above market average for the area in like agencies. This resulted in about a 15% increase in that category of costs. Additional expenses are also related to capital purchases made for the needs of the growing department.
- Animal control expenditures decreased by \$6,792 or 9% from the prior year to \$67,742 only due to delayed billing. Next year will likely increase by 9% to offset this one-time decrease. As of the writing of this report, no contract change has occurred, and expenses are expected to stay flat.
- Buildings, grounds and parks expenditures increased by \$64,137 or 15% from the prior year to \$487,730. City Council direction to focus time and effort on park and median clean up as well as unbudgeted expenses related to park improvements added significantly to this total cost through the cost of materials and the hiring of temporary employees again this year.
- Community development expenditures decreased by \$98,151 or 18% from the prior year to \$435,716. Changes in this department are related to various grant projects and initiatives which vary in cost from year to year. Additionally, the restructuring of administrative tasks and the creation of the Development Coordinator position to administer the licensing and permitting process of the City is now allocated to this department. This increase is understandable considering this new expense burden and will be anticipated in future years until the transition is completed.
- Capital outlay expenditures increased by \$1,366,886 or 1,447% from the prior year to \$1,461,344. This decrease is due to the annual fluctuations in Capital Budget purchases need for the General Fund. Purchases of vehicles and other equipment for Police, Fire, and Public Works dominate this category.
- Debt service expenditures increased by \$7,512 or 100% from the prior year to \$7,512 related to the new round of Police Vehicle Purchase Plan lease expenses for the period established in Fiscal Year 2022 at a slightly higher cost and interest rate than the prior purchase agreement from 2020.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Governmental Major Funds

Details for these funds can be found on page 28 through 32 of the financial statements.

The Federal and State Grants Special Revenue Fund has a total fund balance deficit of \$60,255, all of which is unrestricted due to the negative fund balance, otherwise this would be restricted for community development purposes by the rules of each grant agreement active within the fund. The net increase in fund balance during the current fiscal year was \$69,288 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 and this change is nearly identical to the prior year.

The Street Tax Special Revenue Fund has a total fund balance of \$6,428,953, all of which is restricted to street construction and maintenance. The net increase in fund balance during the current fiscal year was \$1,380,636. The last of the City's Road projects during the prior fiscal year received local grant reimbursement to offset the project cost from the prior year (from TCAG, Tulare County Association of Governments). 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 City plans to spend down these funds in coming years in accordance with the Pavement Management Program annual projects.

The Low- and Moderate-Income Housing Asset Special Revenue Fund has a total fund balance of \$92,492, all of which is restricted to community development. The net increase in fund balance during the current fiscal year was \$534 due to interest earnings and receipt of program income. The fund did not have other significant activity because the current grant programs were ending winding down, but new housing projects grant programs will likely commence in coming fiscal years.

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 \$268,346 lower than the final budgetary appropriations. This variance is minimal and while all major operational units stayed within budget there were a small number of unbudgeted expenses that put actual expenditures higher than the budgetary appropriations in some categories but not enough to cause any budgetary issue.

During the year, actual revenues were \$1,128,333 higher than the final budgetary estimates. The significant changes in revenue are primarily traced back to the new money from the Cannabis Business Tax and the impact of the change in the way that the State distributes Sales Tax receipts for online purchases to the point of sale, not the point of distribution of the product or service purchased. 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, 2022**

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, 2022, amounts to \$67,207,548 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure in progress, buildings 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 16 percent.

City of Farmersville's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,925,818	\$ 1,925,818	\$ 960,435	\$ 960,435	\$ 2,886,253	\$ 2,886,253
Infrastructure & construction in progress	11,578,021	2,528,850	-	23,149,781	11,578,021	25,678,631
Building and improvements	6,940,630	6,916,735	197,461	149,461	7,138,091	7,066,196
Vehicles, machinery and equipment	3,465,287	2,289,122	1,179,904	1,053,578	4,645,191	3,342,700
Right-to-use leased equipment	36,538	-	-	-	36,538	-
Infrastructure	23,977,080	23,977,080	-	-	23,977,080	23,977,080
Utility transmission structures	-	-	30,355,516	6,841,277	30,355,516	6,841,277
Less: Accumulated Depreciation/Amortization	(8,762,028)	(7,735,510)	(4,647,114)	(4,043,876)	(13,409,142)	(11,779,386)
Total	<u>\$ 39,161,346</u>	<u>\$ 29,902,095</u>	<u>\$ 28,046,202</u>	<u>\$ 28,110,656</u>	<u>\$ 67,207,548</u>	<u>\$ 58,012,751</u>

For further information, see Note 5 of the financial statements on pages 52 through 53 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$17,304,595. Of this amount, \$1,051,006 is the liability of governmental activities and \$16,253,589 is the liability of business-type activities.

City of Farmersville's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Loans payable and finance purchases	\$ 205,019	\$ 86,420	\$ 15,874,917	\$ 17,999,780	\$ 16,079,936	\$ 18,086,200
Leases	28,282	-	-	-	28,282	-
Compensated Absences	640,661	567,982	226,877	141,498	867,538	709,480
Net pension liability	177,044	1,135,949	151,795	451,471	328,839	1,587,420
Total	<u>\$ 1,051,006</u>	<u>\$ 1,790,351</u>	<u>\$ 16,253,589</u>	<u>\$ 18,592,749</u>	<u>\$ 17,304,595</u>	<u>\$ 20,383,100</u>

Additional information on the City's long-term debt can be found in Note 9 of the financial statements on pages 56 through 58 of this report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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:

- Extended impacts from the pandemic economic shut-down
- Cannabis Industry regulation changes and market competition changes
- Economic growth rates, FOMC interest rate changes, and futures markets volatility.
- 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 and the Nation.
- Increased Workers Compensation costs due to Local, State, and National trends.
- Increases in CalPERS normal cost and Unfunded Accrued Liability payments.

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

**CITY OF FARMERSVILLE
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,197,695	\$ 7,322,335	\$ 16,520,030
Receivables, net of allowance for uncollectibles:			
Consumer	302,257	445,473	747,730
Intergovernmental	7,403,389	-	7,403,389
Leases	719,121	-	719,121
Due from the Successor Agency	8,208	-	8,208
Prepaid expenses	53,954	-	53,954
Restricted assets:			
Cash and investments	-	1,891,749	1,891,749
Capital assets, net of accumulated depreciation	<u>39,161,346</u>	<u>28,046,202</u>	<u>67,207,548</u>
Total assets	<u>56,845,970</u>	<u>37,705,759</u>	<u>94,551,729</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>664,198</u>	<u>228,408</u>	<u>892,606</u>
Total deferred outflows of resources	<u>664,198</u>	<u>228,408</u>	<u>892,606</u>
LIABILITIES			
Accounts payable	631,818	144,476	776,294
Salaries and benefits payable	65,168	21,325	86,493
Interest payable	-	197,965	197,965
Retainage payable	385,653	-	385,653
Deposits	16,438	16,402	32,840
Unearned revenue	290,437	417	290,854
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	128,131	45,375	173,506
Loans and finance purchase	92,077	369,964	462,041
Portion due or payable after one year:			
Compensated absences	512,530	181,502	694,032
Loans and finance purchase	112,942	15,504,953	15,617,895
Leases	28,282	-	28,282
Net pension liability	<u>177,044</u>	<u>151,795</u>	<u>328,839</u>
Total liabilities	<u>2,440,520</u>	<u>16,634,174</u>	<u>19,074,694</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from lease proceeds	678,431	-	678,431
Deferred inflows from pensions	<u>150,545</u>	<u>167,069</u>	<u>317,614</u>
Total deferred inflows of resources	<u>828,976</u>	<u>167,069</u>	<u>996,045</u>
NET POSITION			
Net investment in capital assets	38,928,045	12,171,285	51,099,330
Restricted for:			
Debt service	-	793,129	793,129
Public safety	186,807	-	186,807
Capital projects	-	1,209,258	1,209,258
Community development	659,403	-	659,403
Capital maintenance	7,099,533	-	7,099,533
Unrestricted	<u>7,366,884</u>	<u>6,959,252</u>	<u>14,326,136</u>
Total net position	<u>\$ 54,240,672</u>	<u>\$ 21,132,924</u>	<u>\$ 75,373,596</u>

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

**CITY OF FARMERSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
City council	\$ 23,167	\$ -	\$ -	\$ -	\$ (23,167)	\$ -	\$ (23,167)
Administration	962,963	118,705	-	-	(844,258)	-	(844,258)
City properties	57,309	-	-	-	(57,309)	-	(57,309)
Public safety:							
Law enforcement	2,402,859	157,494	250,280	13,904	(1,981,181)	-	(1,981,181)
Fire services	599,318	147,880	750,000	18,974	317,536	-	317,536
Animal control	67,705	1,635	-	-	(66,070)	-	(66,070)
Building, grounds and parks	1,140,800	1,930	-	451,931	(686,939)	-	(686,939)
Street construction and maintenance	795,697	70,307	491,873	8,779,205	8,545,688	-	8,545,688
Community development	748,573	71,606	892,451	316,388	531,872	-	531,872
Interest and fiscal charges	956	-	-	-	(956)	-	(956)
Total governmental activities	<u>6,799,347</u>	<u>569,557</u>	<u>2,384,604</u>	<u>9,580,402</u>	<u>5,735,216</u>	<u>-</u>	<u>5,735,216</u>
Business-Type Activities:							
Water	1,050,863	1,136,219	-	13,733	-	99,089	99,089
Sewer	2,278,230	1,989,466	-	2,241,950	-	1,953,186	1,953,186
Refuse	915,009	890,190	14,356	-	-	(10,463)	(10,463)
Total business-type activities	<u>4,244,102</u>	<u>4,015,875</u>	<u>14,356</u>	<u>2,255,683</u>	<u>-</u>	<u>2,041,812</u>	<u>2,041,812</u>
Total	<u>\$ 11,043,449</u>	<u>\$ 4,585,432</u>	<u>\$ 2,398,960</u>	<u>\$ 11,836,085</u>	<u>5,735,216</u>	<u>2,041,812</u>	<u>7,777,028</u>
General revenues:							
Taxes:							
Property taxes					1,566,661	-	1,566,661
Sales taxes					2,929,081	-	2,929,081
Cannabis taxes					1,303,701	-	1,303,701
Franchise taxes					182,888	-	182,888
Other taxes					13,395	-	13,395
Rental income					210,250	-	210,250
American Rescue Plan Act					2,560,386	-	2,560,386
Earnings on investments					(511,502)	53,819	(457,683)
Miscellaneous					24,279	118,027	142,306
Settlement revenues					-	582,359	582,359
Transfers					243,000	(243,000)	-
Total general revenues					<u>8,522,139</u>	<u>511,205</u>	<u>9,033,344</u>
Changes in net position					<u>14,257,355</u>	<u>2,553,017</u>	<u>16,810,372</u>
Net position - beginning (as restated)					<u>39,983,317</u>	<u>18,579,907</u>	<u>58,563,224</u>
Net position - ending					<u>\$ 54,240,672</u>	<u>\$ 21,132,924</u>	<u>\$ 75,373,596</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF FARMERSVILLE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

Special Revenue Funds

	General	Federal and State Grants	Street Tax	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 5,347,146	\$ -	\$ 2,569,163	\$ 92,492	\$ 1,188,894	\$ 9,197,695
Receivables:						
Accounts	302,257	-	-	-	-	302,257
Intergovernmental	1,956,387	475,698	4,612,512	-	358,792	7,403,389
Leases	719,121	-	-	-	-	719,121
Due from other funds	264,806	-	-	-	-	264,806
Due from the Successor Agency	8,208	-	-	-	-	8,208
Prepaid expenses	53,954	-	-	-	-	53,954
Total assets	<u>\$ 8,651,879</u>	<u>\$ 475,698</u>	<u>\$ 7,181,675</u>	<u>\$ 92,492</u>	<u>\$ 1,547,686</u>	<u>\$ 17,949,430</u>
LIABILITIES						
Accounts payable	\$ 139,893	\$ 15,462	\$ 379,979	\$ -	\$ 96,484	\$ 631,818
Salaries and benefits payable	58,425	-	2,467	-	4,276	65,168
Retainage	-	-	370,276	-	15,377	385,653
Deposits	16,438	-	-	-	-	16,438
Due to other funds	-	257,555	-	-	7,251	264,806
Unearned revenue	13,581	262,936	-	-	13,920	290,437
Total liabilities	<u>228,337</u>	<u>535,953</u>	<u>752,722</u>	<u>-</u>	<u>137,308</u>	<u>1,654,320</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from lease proceeds	678,431	-	-	-	-	678,431
Total deferred inflows of resources	<u>678,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,431</u>
FUND BALANCES						
Nonspendable:						
Prepaid expenses	53,954	-	-	-	-	53,954
Restricted for:						
Public safety	-	-	-	-	186,807	186,807
Community development	-	-	-	92,492	566,911	659,403
Capital maintenance	-	-	6,428,953	-	670,580	7,099,533
Assigned to:						
Subsequent fiscal year budget deficit	334,997	-	-	-	-	334,997
General government	801,000	-	-	-	-	801,000
Unassigned	6,555,160	(60,255)	-	-	(13,920)	6,480,985
Total fund balances	<u>7,745,111</u>	<u>(60,255)</u>	<u>6,428,953</u>	<u>92,492</u>	<u>1,410,378</u>	<u>15,616,679</u>
Total liabilities and fund balances	<u>\$ 8,651,879</u>	<u>\$ 475,698</u>	<u>\$ 7,181,675</u>	<u>\$ 92,492</u>	<u>\$ 1,547,686</u>	<u>\$ 17,949,430</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, 2022**

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

Total fund balances - governmental funds		\$ 15,616,679
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 \$47,923,374 and the accumulated depreciation is \$8,762,028.		39,161,346
Deferred outflows and inflows of resources are reported in the Statement of Net Position, but are not recognized in the governmental funds:		
Deferred outflow of resources related to pensions		664,198
Deferred inflows of resources related to pensions		(150,545)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Loans and finance purchase	(205,019)	
Leases	(28,282)	
Compensated absences	(640,661)	
Net pension liability	(177,044)	
Total long-term liabilities		(1,051,006)
Net position of governmental activities		\$ 54,240,672

CITY OF FARMERSVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds					Total Governmental Funds
	General	Federal and State Grants	Street Tax	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
REVENUES						
Property taxes	\$ 1,553,098	\$ -	\$ -	\$ -	\$ -	\$ 1,553,098
Sales taxes	2,929,081	-	-	-	-	2,929,081
Cannabis taxes	1,303,701	-	-	-	-	1,303,701
Other taxes	209,846	-	-	-	-	209,846
Licenses and permits	143,574	-	-	-	-	143,574
Developer fees	-	-	-	-	39,348	39,348
Charges for services	332,995	-	-	-	70,307	403,302
Intergovernmental	3,401,575	634,596	9,264,344	-	1,211,095	14,511,610
Fines and penalties	20,217	-	-	-	-	20,217
Gain (loss) on investments	(540,349)	-	21,652	-	7,195	(511,502)
Loan repayments	-	-	-	534	-	534
Rental income	210,250	-	-	-	-	210,250
Miscellaneous revenues	14,279	-	-	-	10,000	24,279
Total revenues	9,578,267	634,596	9,285,996	534	1,337,945	20,837,338
EXPENDITURES						
Current:						
City council	23,167	-	-	-	-	23,167
Administration	945,612	-	-	-	-	945,612
City properties	70,984	-	-	-	-	70,984
Public safety:						
Law enforcement	2,758,394	-	-	-	207,223	2,965,617
Fire services	663,793	-	-	-	-	663,793
Animal control	67,742	-	-	-	-	67,742
Buildings, grounds and parks	487,730	-	-	-	-	487,730
Street construction and maintenance	-	-	382,306	-	56,619	438,925
Community development	435,716	417,521	-	-	216,898	1,070,135
Capital outlay	1,461,344	147,787	7,920,054	-	694,409	10,223,594
Debt service:						
Principal	6,556	-	-	-	-	6,556
Interest	956	-	-	-	-	956
Total expenditures	6,921,994	565,308	8,302,360	-	1,175,149	16,964,811
Excess (deficiency) of revenues over (under) expenditures	2,656,273	69,288	983,636	534	162,796	3,872,527

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, 2022
(Continued)

	Special Revenue Funds					Total Governmental Funds
	General	Federal and State Grants	Street Tax	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
OTHER FINANCING SOURCES (USES)						
Proceeds of capital lease	167,336	-	-	-	-	167,336
Transfers in	-	-	397,000	-	467,000	864,000
Transfers out	(467,000)	-	-	-	(154,000)	(621,000)
Total other financing sources (uses)	(299,664)	-	397,000	-	313,000	410,336
Net change in fund balances	2,356,609	69,288	1,380,636	534	475,796	4,282,863
Fund balances (deficit) - beginning (as restated)	5,388,502	(129,543)	5,048,317	91,958	934,582	11,333,816
Fund balances - ending	<u>\$ 7,745,111</u>	<u>\$ (60,255)</u>	<u>\$ 6,428,953</u>	<u>\$ 92,492</u>	<u>\$ 1,410,378</u>	<u>\$ 15,616,679</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, 2022**

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

Net change in fund balances - total governmental funds	\$ 4,282,863
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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	10,249,231
Depreciation expense	(1,024,778)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt principal are reported as expenditures in the governmental funds. The repayment of debt principal reduces long-term liabilities in the Statement of Net Position:

Proceeds from finance purchase	(167,336)
Payment of leases payable	6,556
Payment of finance purchase payable	48,737

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.	(33,627)
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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.	<u>895,709</u>
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Change in net position of governmental activities	<u>\$ 14,257,355</u>
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**CITY OF FARMERSVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,155,069	\$ 5,777,633	\$ 389,633	\$ 7,322,335
Consumer receivables, net of allowance	<u>145,205</u>	<u>220,769</u>	<u>79,499</u>	<u>445,473</u>
Total current assets	<u>1,300,274</u>	<u>5,998,402</u>	<u>469,132</u>	<u>7,767,808</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	292,155	1,599,594	-	1,891,749
Capital assets, net of accumulated depreciation	<u>1,878,497</u>	<u>26,167,705</u>	<u>-</u>	<u>28,046,202</u>
Total noncurrent assets	<u>2,170,652</u>	<u>27,767,299</u>	<u>-</u>	<u>29,937,951</u>
Total assets	<u>3,470,926</u>	<u>33,765,701</u>	<u>469,132</u>	<u>37,705,759</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>101,017</u>	<u>95,835</u>	<u>31,556</u>	<u>228,408</u>
Total deferred outflows of resources	<u>101,017</u>	<u>95,835</u>	<u>31,556</u>	<u>228,408</u>
LIABILITIES				
Current liabilities:				
Accounts payable	53,335	50,641	40,500	144,476
Salaries and benefits payable	10,113	9,600	1,612	21,325
Interest payable	-	197,965	-	197,965
Deposits	16,402	-	-	16,402
Unearned revenue	-	-	417	417
Compensated absences	16,900	15,850	12,625	45,375
Loans payable	<u>-</u>	<u>369,964</u>	<u>-</u>	<u>369,964</u>
Total current liabilities	<u>96,750</u>	<u>644,020</u>	<u>55,154</u>	<u>795,924</u>
Noncurrent liabilities:				
Compensated absences	67,601	63,401	50,500	181,502
Loans payable	-	15,504,953	-	15,504,953
Net pension liability	<u>66,946</u>	<u>63,403</u>	<u>21,446</u>	<u>151,795</u>
Total noncurrent liabilities	<u>134,547</u>	<u>15,631,757</u>	<u>71,946</u>	<u>15,838,250</u>
Total liabilities	<u>231,297</u>	<u>16,275,777</u>	<u>127,100</u>	<u>16,634,174</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>74,038</u>	<u>70,334</u>	<u>22,697</u>	<u>167,069</u>
Total deferred inflows of resources	<u>74,038</u>	<u>70,334</u>	<u>22,697</u>	<u>167,069</u>
NET POSITION				
Net investment in capital assets	1,878,497	10,292,788	-	12,171,285
Restricted for:				
Debt service	-	793,129	-	793,129
Capital projects	402,793	806,465	-	1,209,258
Unrestricted	<u>985,318</u>	<u>5,623,043</u>	<u>350,891</u>	<u>6,959,252</u>
Total net position	<u>\$ 3,266,608</u>	<u>\$ 17,515,425</u>	<u>\$ 350,891</u>	<u>\$ 21,132,924</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, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Operating revenues:				
Charges for services	\$ 1,169,434	\$ 1,989,466	\$ 910,014	\$ 4,068,914
Operating expenses:				
Personnel costs	415,732	392,403	193,926	1,002,061
Utilities	183,493	215,333	-	398,826
Contractual services	116,978	427,402	669,362	1,213,742
Franchise payments	10,750	12,500	46,804	70,054
Operations and maintenance	222,314	256,721	4,917	483,952
Depreciation	101,596	501,642	-	603,238
Total operating expenses	<u>1,050,863</u>	<u>1,806,001</u>	<u>915,009</u>	<u>3,771,873</u>
Operating income (loss)	<u>118,571</u>	<u>183,465</u>	<u>(4,995)</u>	<u>297,041</u>
Nonoperating revenue (expenses):				
Connection fees	13,733	14,706	-	28,439
Developer fees	-	3,055	-	3,055
Grant revenue	-	2,289,177	14,356	2,303,533
Investment income	9,667	41,680	2,472	53,819
Interest income (expense)	-	(472,229)	-	(472,229)
Settlement revenue	-	582,359	-	582,359
Total nonoperating revenues (expenses)	<u>23,400</u>	<u>2,458,748</u>	<u>16,828</u>	<u>2,498,976</u>
Income (loss) before transfers	141,971	2,642,213	11,833	2,796,017
Transfers out	<u>-</u>	<u>(243,000)</u>	<u>-</u>	<u>(243,000)</u>
Change in net position	141,971	2,399,213	11,833	2,553,017
Net position - beginning (as restated)	<u>3,124,637</u>	<u>15,116,212</u>	<u>339,058</u>	<u>18,579,907</u>
Net position - ending	<u>\$ 3,266,608</u>	<u>\$ 17,515,425</u>	<u>\$ 350,891</u>	<u>\$ 21,132,924</u>

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

**CITY OF FARMERSVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,155,247	\$ 1,960,419	\$ 901,889	\$ 4,017,555
Cash payments to employees	(530,683)	(507,322)	(168,991)	(1,206,996)
Cash payments to suppliers	(551,569)	(1,477,923)	(723,561)	(2,753,053)
Cash received from grants	-	-	(9,356)	(9,356)
Net cash provided by (used in) operating activities	<u>72,995</u>	<u>(24,826)</u>	<u>(19)</u>	<u>48,150</u>
Cash Flows from Noncapital and Related Financing Activities				
Cash received from operating grants	-	-	14,356	14,356
Other cash payments	-	582,359	-	582,359
Transfers out	-	(243,000)	-	(243,000)
Net cash provided by (used in) noncapital and related financing activities	<u>-</u>	<u>339,359</u>	<u>14,356</u>	<u>353,715</u>
Cash Flows from Capital and Related Financing Activities				
Cash received from connection fees	13,733	14,706	-	28,439
Cash received from developer fees	-	3,055	-	3,055
Cash received from capital grants	-	3,443,482	-	3,443,482
Acquisition of capital assets	(121,107)	(1,353,828)	-	(1,474,935)
Proceeds from long-term debt	-	175,326	-	175,326
Principal paid on long-term debt	-	(2,300,189)	-	(2,300,189)
Interest paid on long-term debt	-	(306,886)	-	(306,886)
Net cash provided by (used in) capital and related financing activities	<u>(107,374)</u>	<u>(324,334)</u>	<u>-</u>	<u>(431,708)</u>
Cash Flows from Investing Activities				
Interest on investments	9,667	41,680	2,472	53,819
Net cash provided by (used in) investing activities	<u>9,667</u>	<u>41,680</u>	<u>2,472</u>	<u>53,819</u>
Net increase (decrease) in cash and investments	(24,712)	31,879	16,809	23,976
Cash and investments, July 1, 2021	1,471,936	7,345,348	372,824	9,190,108
Cash and investments, June 30, 2022	<u>\$ 1,447,224</u>	<u>\$ 7,377,227</u>	<u>\$ 389,633</u>	<u>\$ 9,214,084</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 118,571	\$ 183,465	\$ (4,995)	\$ 297,041
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>				
Depreciation	101,596	501,642	-	603,238
<i>Change in Assets and Liabilities:</i>				
(Increase) decrease in consumer receivables	(16,640)	(29,047)	(8,125)	(53,812)
(Increase) decrease in pension related deferred outflows of resources	(38,720)	(34,824)	(19,626)	(93,170)
Increase (decrease) in accounts payable	(18,034)	(565,967)	(2,478)	(586,479)
Increase (decrease) in salaries and benefits payable	2,090	1,918	(626)	3,382
Increase (decrease) in deposits payable	2,453	-	-	2,453
Increase (decrease) in unearned revenue	-	-	(9,356)	(9,356)
Increase (decrease) in compensated absences	7,762	5,940	44,571	58,273
Increase (decrease) in net pension liability	(141,696)	(139,644)	(18,336)	(299,676)
Increase (decrease) in pension related deferred inflows of resources	<u>55,613</u>	<u>51,691</u>	<u>18,952</u>	<u>126,256</u>
Net cash provided by (used in) operating activities	<u>\$ 72,995</u>	<u>\$ (24,826)</u>	<u>\$ (19)</u>	<u>\$ 48,150</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, 2022**

	<u>Successor Agency Trust Fund</u>
ASSETS	
Cash and investments - restricted	\$ <u>219,000</u>
Total assets	<u>219,000</u>
LIABILITIES	
Due to the General Fund	8,208
Interest payable	14,487
Loan payable - current	148,809
Loan payable - long term	<u>1,225,224</u>
Total liabilities	<u>1,396,728</u>
NET POSITION	
Restricted for:	
Redevelopment dissolution and other purposes	<u>\$ (1,177,728)</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, 2022**

	<u>Successor Agency Trust Fund</u>
ADDITIONS	
Property taxes	<u>\$ 200,455</u>
Total additions	<u>200,455</u>
DEDUCTIONS	
Debt payment - interest	<u>59,163</u>
Total deductions	<u>59,163</u>
Net increase (decrease) in fiduciary net position	141,292
Net position (deficit) - beginning	<u>(1,319,020)</u>
Net position (deficit) - ending	<u>\$ (1,177,728)</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, 2022

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, 2022

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 - There are a total of seven various Street Funds for the City which includes the Surface Transportation Fund, the Gas Tax Fund, the Transportation Development Act Fund, the Measure R Fund, and the Road Maintenance and Rehabilitation Act (SB1) Fund as the main sources of income and are combined for reporting purposes. All the revenue received in these funds is for the repair and construction of roads within the City. All the revenue received in these funds is for the repair and construction of roads within the cities.

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.

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, cannabis 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.

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, 2022

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 \$9,438 for Water utility charges, \$18,323 for Sewer utility charges, and \$7,382 for Refuse utility charges as of June 30, 2022. 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, 2022**

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.

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Leases (Continued)

Lessor: The City is a lessor for noncancellable leases of two buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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, 2022**

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, 2022**

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, 2022 are classified in the accompanying financial statements as follows:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 9,197,695	\$ 7,322,335	\$ -	\$ 16,520,030
Restricted cash and investments	-	1,891,749	219,000	2,110,749
Total cash and investments	\$ 9,197,695	\$ 9,214,084	\$ 219,000	\$ 18,630,779

Cash and investments consist of the following as of June 30, 2022:

Cash on hand	\$ 5,000
Deposits with financial institutions	3,241,868
Investments	15,383,911
Total cash and investments	\$ 18,630,779

CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Area Investment Fund	\$ 2,816,857	\$ 2,816,857	\$ -	\$ -	\$ -
CSJVRMA Investment Pool	3,502,089	3,502,089	-	-	-
Money Market	3,159,297	3,159,297	-	-	-
Certificates of Deposits	3,582,015	982,324	970,588	1,629,103	-
Federal Agency Securities:					
U.S. Govt Bonds	464,255	-	-	464,255	-
U.S. Treasury Notes	<u>1,859,398</u>	-	-	<u>1,859,398</u>	-
Total	\$ <u>15,383,911</u>	\$ <u>10,460,567</u>	\$ <u>970,588</u>	\$ <u>3,952,756</u>	\$ -

CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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	Total	Exempt from Disclosure	Rating as of Year-End	
			AAA	Not Rated
Local Area Investment Fund	\$ 2,816,857	\$ -	\$ -	\$ 2,816,857
CSJVRMA Pool	3,502,089	-	-	3,502,089
Money Market	3,159,297	-	-	3,159,297
Certificates of Deposits	3,582,015	-	-	3,582,015
Federal Agency Securities:		-		
U.S. Govt Bonds	464,255	-	464,255	-
U.S. Treasury Notes	<u>1,859,398</u>	-	<u>1,859,398</u>	-
Total	<u>\$ 15,383,911</u>	<u>\$ -</u>	<u>\$ 2,323,653</u>	<u>\$ 13,060,258</u>

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, 2022, 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 \$3,241,868 at June 30, 2022. Bank balances were \$3,738,150, 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, 2022**

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, 2022, 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, 2022 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 mortgage-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, 2022, the City had \$2,816,857 invested in the LAIF, which was reported at fair value.

H. Central San Joaquin Valley Risk Management Authority

The City maintains an investment of \$3,654,513 in the Central San Joaquin Valley Risk Management Authority (CSJVRMA) Pool as of June 30, 2022. The total amount invested by all participants in the pool is \$154,843,564. 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 \$3,502,089 as of June 30, 2022. 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 2.73 years and the average rating is AA/Aa1. The pool consists of 49% Securities of U.S. Government Agencies, 26% U.S. Corporate Obligations and 25% other. The pool complies with the City's investment policy.

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022:

Investments by Fair Value Level	Fair Value	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of Deposit	\$ 3,582,015	\$ -	\$ 3,582,015	\$ -
Federal Agency Securities	<u>2,323,653</u>	<u>-</u>	<u>2,323,653</u>	<u>-</u>
	<u>5,905,668</u>	<u>\$ -</u>	<u>\$ 5,905,668</u>	<u>\$ -</u>
<u>Unclassified Investments</u>				
Local Area Investment Fund	2,816,857			
CSJVRMA Pool	3,502,089			
Money Market Funds	<u>3,159,297</u>			
	<u>9,478,243</u>			
Total Investments	<u>\$ 15,383,911</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

A. 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, 2022**

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)

A. Forgivable Loans (Continued)

Nonperforming loans consisted of the following as of June 30, 2022:

Loans receivable consisted of the following as of June 30, 2022:

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.

207,441

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.

9,492,788

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.

290,315

Total non-performing loans receivable \$ 11,992,544

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – INTERFUND TRANSACTIONS

A. Interfund Loans Receivable and Payable

Interfund loans receivable and payable consisted of the following at June 30, 2022:

	Due	
	From	To
Major Funds:		
General Fund	\$ 273,014	\$ -
Federal and State Grants Special Revenue Fund	-	257,555
Nonmajor Funds:		
Maintenance District Special Revenue Fund	-	7,251
Successor Agency Trust Fiduciary Fund	-	8,208
	<u> </u>	<u> </u>
Total	<u>\$ 273,014</u>	<u>\$ 273,014</u>

The balances due to the General Fund from the above listed special revenue funds and the Successor Agency Trust Fiduciary Fund represents short-term borrowing resulting from a temporary need for additional cash. This amount is expected to be repaid shortly after the end of the fiscal year.

B. Transfers in/Transfers Out

The following schedules summarized the City's transfer activity for the year ended June 30, 2022:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ -	\$ 467,000
Street Tax Special Revenue Fund	397,000	-
Sewer Fund	-	243,000
Nonmajor Funds:		
Park Development Fund	467,000	-
Storm Drain Development Fund	-	154,000
	<u> </u>	<u> </u>
Total	<u>\$ 864,000</u>	<u>\$ 864,000</u>

Transfers were made to the Street Tax Special Revenue fund from the Sewer and Storm Drain Development fund to cover eligible costs benefiting those funds. General Fund transfers were made to the Park Development fund to cover costs for capital projects.

CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for governmental activities for the year ended June 30, 2022 is as follows:

	Balances June 30, 2021 (Restated)	Acquisitions	Dispositions	Balances June 30, 2022
Governmental Activities:				
<i>Nondepreciable assets:</i>				
Land	\$ 1,925,818	\$ -	\$ -	\$ 1,925,818
Construction in progress	-	13,123	-	13,123
Infrastructure in progress	<u>2,528,850</u>	<u>9,036,048</u>	-	<u>11,564,898</u>
Total nondepreciable assets	<u>4,454,668</u>	<u>9,049,171</u>	-	<u>13,503,839</u>
<i>Depreciable assets:</i>				
Buildings and improvements	6,916,735	23,895	-	6,940,630
Vehicles, machinery and equipment	2,289,122	1,176,165	-	3,465,287
Right-to-use leased equipment	36,538	-	-	36,538
Infrastructure	<u>23,977,080</u>	-	-	<u>23,977,080</u>
Total depreciable assets	<u>33,219,475</u>	<u>1,200,060</u>	-	<u>34,419,535</u>
Less accumulated depreciation for:				
Buildings and improvements	2,862,178	222,474	-	3,084,652
Vehicles, machinery and equipment	1,473,124	176,907	-	1,650,031
Right-to-use leased equipment	1,740	6,960	-	8,700
Infrastructure	<u>3,400,208</u>	<u>618,437</u>	-	<u>4,018,645</u>
Total accumulated depreciation	<u>7,737,250</u>	<u>1,024,778</u>	-	<u>8,762,028</u>
Depreciable assets, net	<u>25,482,225</u>	<u>175,282</u>	-	<u>25,657,507</u>
Government activities capital assets, net	<u>\$ 29,936,893</u>	<u>\$ 9,224,453</u>	<u>\$ -</u>	<u>\$ 39,161,346</u>

CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of capital assets activity for business-type activities for the year ended June 30, 2022 is as follows:

	Balances June 30, 2021	Acquisitions	Dispositions	Balances June 30, 2022
Business-Type Activities:				
<i>Nondepreciable assets:</i>				
Land	\$ 960,435	\$ -	\$ -	\$ 960,435
Construction in progress	<u>23,149,781</u>	<u>253,820</u>	<u>(23,403,601)</u>	<u>-</u>
Total nondepreciable assets	<u>24,110,216</u>	<u>253,820</u>	<u>(23,403,601)</u>	<u>960,435</u>
<i>Depreciable assets:</i>				
Buildings and improvements	149,461	48,000	-	197,461
Vehicles, machinery and equipment	1,053,578	126,326	-	1,179,904
Utility transmission structures	<u>6,841,277</u>	<u>23,514,239</u>	<u>-</u>	<u>30,355,516</u>
Total depreciable assets	<u>8,044,316</u>	<u>23,688,565</u>	<u>-</u>	<u>31,732,881</u>
Less accumulated depreciation for:				
Buildings and improvements	92,714	5,674	-	98,388
Vehicles, machinery and equipment	689,484	40,955	-	730,439
Infrastructure	<u>3,261,678</u>	<u>556,609</u>	<u>-</u>	<u>3,818,287</u>
Total accumulated depreciation	<u>4,043,876</u>	<u>603,238</u>	<u>-</u>	<u>4,647,114</u>
Depreciable assets, net	<u>4,000,440</u>	<u>23,085,327</u>	<u>-</u>	<u>27,085,767</u>
Business-type activities capital assets, net	<u>\$ 28,110,656</u>	<u>\$ 23,339,147</u>	<u>\$ (23,403,601)</u>	<u>\$ 28,046,202</u>

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

<i>Governmental Activities:</i>	
Administration	\$ 69,381
Public safety - law enforcement	120,035
Public safety - fire services	35,820
Street construction and maintenance	526,621
Building, grounds and parks	71,204
Community development	181,932
City properties	19,785
<i>Business-Type Activities:</i>	
Water	101,596
Sewer	<u>501,642</u>
Total	<u>\$ 1,628,016</u>

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 reported as deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 10.

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 reported as deferred outflows of resources. The lease and pension related deferred outflows of resources are described in detail in Note 8 and 10, respectively.

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 \$512,530 for governmental activities and \$181,502 for business-type activities. 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, 2022 was \$640,661 for governmental activities and \$226,877 for business-type activities.

	(Restated) Balances June 30, 2021	Net Change	Balances June 30, 2022	Due Within One Year
Governmental Activities	<u>\$ 607,034</u>	<u>\$ 33,627</u>	<u>\$ 640,661</u>	<u>\$ 128,131</u>
Business-Type Activities	<u>\$ 168,604</u>	<u>\$ 58,273</u>	<u>\$ 226,877</u>	<u>\$ 45,375</u>

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES

A. Lease Receivable

In 2022, the City began leasing one of its office buildings to a third party. The lease is for five years and the City will receive monthly payments of \$1,207, increasing 2% every July 1st and each year thereafter. The City recognized \$14,253 in lease revenue and \$2,490 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City's receivable for lease payments was \$129,308. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$128,276.

In 2017, the City began leasing one of its office buildings to a third party. The lease is for five years and has been renewed for an additional five-year term ending June 30, 2027. The City will receive monthly payments of \$10,598 increasing annually by the change in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, or an increase of 4%, whichever is less. The City recognized \$110,031 in lease revenue and \$19,453 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City's receivable for lease payments was \$589,813. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$550,155.

B. Lease Payable

In 2021, the City entered into a sixty-three (63) month lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$36,538 during the year the lease was entered. As of June 30, 2022, the value of the lease liability was \$28,282. The City is required to make monthly principal and interest payments of \$626. The lease has an interest rate of 3%. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$27,838 and had accumulated amortization of \$8,700.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2023	\$ 6,756	\$ 756	\$ 7,512
2024	6,961	551	7,512
2025	7,173	339	7,512
2026	<u>7,392</u>	<u>121</u>	<u>7,513</u>
Total	<u>\$ 28,282</u>	<u>\$ 1,767</u>	<u>\$ 30,049</u>

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – LONG-TERM DEBT

Long-term debt reported in the governmental activities at June 30, 2022 was comprised of the following:

	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year
<i>Direct Borrowing:</i>					
2020 Police vehicle finance purchase	\$ 86,420	\$ -	\$ (48,737)	\$ 37,683	\$ 37,683
2022 Police vehicle finance purchase	<u>-</u>	<u>167,336</u>	<u>-</u>	<u>167,336</u>	<u>54,394</u>
Total governmental activities	<u>\$ 86,420</u>	<u>\$ 167,336</u>	<u>\$ (48,737)</u>	<u>\$ 205,019</u>	<u>\$ 92,077</u>

2020 Police Vehicle Finance Purchase

On January 23, 2020, the City leased three police vehicles from the Municipal Finance Corporation for \$145,000, bearing an interest rate of 3.5% payable quarterly beginning in May 7, 2020, with final payment due on February 7, 2023. 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. The vehicle lease is not a lease under GASB87 and has been classified as a finance purchase.

The following is a schedule of the future estimated minimum payments related to the 2020 police vehicle finance purchase at June 30:

Fiscal Years Ending June 30,	Principal	Interest	Total
2023	\$ 37,683	\$ 661	\$ 38,344
Total	<u>\$ 37,683</u>	<u>\$ 661</u>	<u>\$ 38,344</u>

2022 Police Vehicle Finance Purchase

On April 5, 2022, the City leased three police vehicles from the Municipal Finance Corporation, bearing an interest rate of 2.5% payable quarterly beginning in July of 2022, with final payment due in April of 2025. 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. The vehicle lease is not a lease under GASB87 and has been classified as a finance purchase.

The following is a schedule of the future estimated minimum payments related to the 2022 police vehicle finance purchase at June 30:

Fiscal Years Ending June 30,	Principal	Interest	Total
2023	\$ 54,394	\$ 3,676	\$ 58,070
2024	55,767	2,303	58,070
2025	<u>57,175</u>	<u>896</u>	<u>58,071</u>
Total	<u>\$ 167,336</u>	<u>\$ 6,875</u>	<u>\$ 174,211</u>

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – LONG-TERM DEBT (Continued)

Long-term debt reported in the business-type activities at June 30, 2022 was comprised of the following:

	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year
<i>Direct Placement:</i>					
State Water Resources Control Board Loan	\$ 13,215,780	\$ 175,326	\$ (2,224,189)	\$ 11,166,917	\$ 291,964
Certificates of Participation	<u>4,784,000</u>	<u>-</u>	<u>(76,000)</u>	<u>4,708,000</u>	<u>78,000</u>
Total business-type activities	<u>\$ 17,999,780</u>	<u>\$ 175,326</u>	<u>\$ (2,300,189)</u>	<u>\$ 15,874,917</u>	<u>\$ 369,964</u>

State Water Resources Control Board Loan

In July 2014, the City entered into an agreement with the State Water Resources Control Board (Lender) for \$12,683,881 bearing an interest rate equivalent to 1.90%, payable on October 31, 2017. On November 19, 2018, the City signed an amendment to the original contract, increasing the loaned up-to amount to \$13,215,780 and extending the payable date of the loan to September 1, 2021. 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. Contingent upon the City's performance of obligations under the agreement, the lender has agreed to forgive \$2,224,189 of the principal due, which was formally granted during the year ended June 30, 2022. Payments are due annually on September 1 of each year and the City will begin repayment during the year ending June 30, 2023. In the event of default, the lender, at their discretion, may make all amounts outstanding due and payable.

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

State Water Resources Control Board

Fiscal Years Ending June 30,	Principal	Interest	Total
2023	\$ 291,964	\$ 199,249	\$ 491,213
2024	284,590	206,624	491,214
2025	289,997	201,217	491,214
2026	295,507	195,707	491,214
2027	301,122	190,092	491,214
2028-2032	1,593,633	862,467	2,456,100
2033-2037	1,750,891	705,178	2,456,069
2038-2042	1,923,668	532,402	2,456,070
2043-2047	2,113,494	342,575	2,456,069
2048-2052	<u>2,322,051</u>	<u>134,017</u>	<u>2,456,068</u>
Total	<u>\$ 11,166,917</u>	<u>\$ 3,569,528</u>	<u>\$ 14,736,445</u>

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – LONG-TERM DEBT (Continued)

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 the entire available amount as of June 30, 2020, 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 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.

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

Certificate of Participation

Fiscal Years Ending June 30,	Principal	Interest	Total
2023	\$ 78,000	\$ 129,470	\$ 207,470
2024	80,000	127,674	207,674
2025	83,000	125,125	208,125
2026	85,000	122,842	207,842
2027	87,000	120,505	207,505
2028-2032	474,000	565,799	1,039,799
2033-2037	541,000	496,667	1,037,667
2038-2042	621,000	417,954	1,038,954
2043-2047	711,000	327,743	1,038,743
2048-2052	814,000	224,563	1,038,563
2023-2057	932,000	106,084	1,038,084
2058	202,000	5,555	207,555
Total	\$ 4,708,000	\$ 2,769,981	\$ 7,477,981

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – 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 five rate plans (two miscellaneous and three safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The rate plan provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous	
	1st Tier	PEPRA
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
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 annual salary	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	8.650%	7.590%
	Safety	
	1st Tier	PEPRA
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
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 annual salary	1.426% to 2.0%	1.426% to 2.0%
Required employee contribution rates	7%	10.0%
Required employer contribution rates	14.810%	11.130%

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 \$405,342 for the fiscal year ended June 30, 2022.

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. 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, 2022 were \$468,607.

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

As of June 30, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$328,839.

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, 2021, 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, 2020, rolled forward to June 30, 2021, 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, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.0146%
Proportion - June 30, 2021	0.0061%
Change - Increase (Decrease)	-0.0085%

For the year ended June 30, 2022, the City recognized a pension benefit of \$491,435. At June 30, 2022, 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 the measurement date	\$ 670,864	\$ -
Changes of Assumptions	-	-
Differences between actual and expected experience	40,450	-
Net differences between projected and actual earnings on plan investments	-	270,152
Change in employer's proportion	132,016	2,524
Differences between the employer's actual contributions and the employer's proportionate share of contributions	49,276	44,938
Total	<u>\$ 892,606</u>	<u>\$ 317,614</u>

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – PENSION PLAN (Continued)

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

\$670,864 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, 2023. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30		
2023	\$	16,178
2024		(4,555)
2025		(32,886)
2026		(74,609)
2027		-
Thereafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry- Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% ⁽¹⁾
	Derived using CalPERS'
Mortality	Membership Data for all Funds ⁽²⁾

⁽¹⁾ Net of pension plan investment expenses, including inflation

⁽²⁾ 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.

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – 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:

<u>Asset Class ^(a)</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10^(b)</u>	<u>Real Return Years 11+^(c)</u>
Public 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	<u>100.0%</u>		

^(a) In the CalPERS ACFR, 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 2.00% 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, 2022**

NOTE 10 – 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% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 1,596,852	\$ 328,839	\$ (715,836)

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, 2022.

NOTE 11 – 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 Allied World National Assurance Company for a total of \$39,000,000 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 PRISM (previously 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, 2022**

NOTE 11 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2022, is presented as follows:

Total assets	\$ 150,837,823
Total liabilities	<u>118,663,929</u>
Total net position	<u>\$ 32,173,894</u>
Revenues	\$ 66,885,024
Expenses	<u>55,557,907</u>
Change in net position	<u>\$ 11,327,117</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 12 – 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 13 – 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, 2022**

NOTE 13 – SUCCESSOR AGENCY TRUST FUND (Continued)

A. Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2022 was comprised of the following:

	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year	Than One Year
USDA Loan - Direct Financing	\$ 1,516,674	\$ -	\$ (142,641)	\$ 1,374,033	\$ 148,809	\$ 1,225,224
Total long-term debt	<u>\$ 1,516,674</u>	<u>\$ -</u>	<u>\$ (142,641)</u>	<u>\$ 1,374,033</u>	<u>\$ 148,809</u>	<u>\$ 1,225,224</u>

B. 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, 2022 was \$1,374,033. 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 Years Ending June 30,	Principal	Interest	Total
2023	\$ 148,809	\$ 54,961	\$ 203,770
2024	155,222	49,009	204,231
2025	161,893	42,800	204,693
2026	168,830	36,324	205,154
2027	176,045	29,571	205,616
2028-2030	<u>563,234</u>	<u>45,250</u>	<u>608,484</u>
Total	<u>\$ 1,374,033</u>	<u>\$ 257,915</u>	<u>\$ 1,631,948</u>

NOTE 14 – DEFICIT FUND BALANCE

The following funds contained a deficit fund balance or net position as of June 30, 2022. Future revenues or transfers from other funds are expected to offset these deficits.

Governmental Funds

Federal and State Grants Special Revenue Fund	\$ 60,255
Maintenance District	9,650
Drug Enforcement Fund	4,270

**CITY OF FARMERSVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 15 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE

Change in Accounting Principle

The beginning net position for Governmental Activities has been restated as a result of the implementation of the Governmental Accounting Standards Board, Statement No. 87, *Leases*. In addition, the beginning net position of the Governmental Activities and Business-Type Activities have been restated due to the implementation of the Governmental Accounting Standards Board, Statement No. 101, *Compensated Absences*. The beginning fund balance of the enterprise fund financial statements was also restated to conform to this presentation.

A summary of the restatement of beginning net position/fund balance is noted below:

	<u>Government-Wide</u>	<u>Governmental Funds</u>
	<u>Governmental Activities</u>	<u>General</u>
Fund balance/net position, June 30, 2021, as previously reported	<u>\$ 39,985,056</u>	<u>\$ 5,351,149</u>
Change in accounting principle:		
Record the adjustments of compensated absences for implementation of GASB101.	(39,052)	-
Record the adjustments of lease activity (right to use assets, receivables, liability) for implementation of GASBS87.	<u>37,313</u>	<u>37,353</u>
Total change in accounting principle	<u>(1,739)</u>	<u>37,353</u>
Fund balance/net position, July 1, 2021, as restated	<u>\$ 39,983,317</u>	<u>\$ 5,388,502</u>

	<u>Government-Wide</u>	<u>Enterprise Funds</u>		
	<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>
Net position, June 30, 2021, as previously reported	<u>\$ 18,607,013</u>	<u>\$ 3,137,070</u>	<u>\$ 15,127,626</u>	<u>\$ 342,317</u>
Change in accounting principle:				
Record the adjustments of compensated absences for implementation of GASB101.	<u>(27,106)</u>	<u>(12,433)</u>	<u>(11,414)</u>	<u>(3,259)</u>
Total change in accounting principle	<u>(27,106)</u>	<u>(12,433)</u>	<u>(11,414)</u>	<u>(3,259)</u>
Net position, July 1, 2021, as restated	<u>\$ 18,579,907</u>	<u>\$ 3,124,637</u>	<u>\$ 15,116,212</u>	<u>\$ 339,058</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FARMERSVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$ 1,502,198	\$ 1,517,198	\$ 1,553,098	\$ 35,900
Sales taxes	2,520,000	2,640,000	2,929,081	289,081
Cannabis taxes	1,450,000	1,450,000	1,303,701	(146,299)
Other taxes	172,939	177,939	209,846	31,907
Licenses and permits	235,680	235,680	143,574	(92,106)
Charges for services	49,850	49,850	332,995	283,145
Intergovernmental	1,212,007	1,522,557	3,401,575	1,879,018
Fines and penalties	1,000	1,000	20,217	19,217
Gain (loss) on investments	13,130	13,130	(540,349)	(553,479)
Rental income	85,580	85,580	210,250	124,670
Miscellaneous revenue	7,000	757,000	14,279	(742,721)
	<u>7,249,384</u>	<u>8,449,934</u>	<u>9,578,267</u>	<u>1,128,333</u>
EXPENDITURES				
Current:				
City council	41,000	42,102	23,167	18,935
Administration	839,360	1,130,137	945,612	184,525
City properties	42,700	42,700	70,984	(28,284)
Public safety:				
Law enforcement	2,700,659	2,650,598	2,758,394	(107,796)
Fire services	579,813	579,168	663,793	(84,625)
Animal control	73,865	73,865	67,742	6,123
Buildings, grounds and parks	511,724	507,883	487,730	20,153
Community development	555,910	580,984	435,716	145,268
Capital outlay	517,407	1,582,903	1,461,344	121,559
Debt service:				
Principal	-	-	6,556	(6,556)
Interest	-	-	956	(956)
	<u>5,862,438</u>	<u>7,190,340</u>	<u>6,921,994</u>	<u>268,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,386,946</u>	<u>1,259,594</u>	<u>2,656,273</u>	<u>1,396,679</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease	-	-	167,336	167,336
Transfers in	1,213,183	1,995,323	-	(1,995,323)
Transfers out	(1,346,433)	(2,845,573)	(467,000)	2,378,573
	<u>(133,250)</u>	<u>(850,250)</u>	<u>(299,664)</u>	<u>550,586</u>
Net change in fund balance	1,253,696	409,344	2,356,609	1,947,265
Fund balances - beginning (as restated)			<u>5,388,502</u>	
Fund balances - ending			<u>\$ 7,745,111</u>	

**CITY OF FARMERSVILLE
BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 1,514,703	\$ 1,514,703	\$ 634,596	\$ (880,107)
Total revenues	<u>1,514,703</u>	<u>1,514,703</u>	<u>634,596</u>	<u>(880,107)</u>
EXPENDITURES				
Current:				
Community development	1,336,703	1,336,703	417,521	919,182
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>147,787</u>	<u>102,213</u>
Total expenditures	<u>1,586,703</u>	<u>1,586,703</u>	<u>565,308</u>	<u>1,021,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,000)</u>	<u>(72,000)</u>	<u>69,288</u>	<u>141,288</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>72,000</u>	<u>72,000</u>	-	<u>(72,000)</u>
Total other financing sources (uses)	<u>72,000</u>	<u>72,000</u>	-	<u>(72,000)</u>
Net change in fund balance	-	-	69,288	69,288
Fund balances - beginning			<u>(129,543)</u>	
Fund balances - ending			<u>\$ (60,255)</u>	

**CITY OF FARMERSVILLE
BUDGETARY COMPARISON SCHEDULE
STREET TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 11,998,499	\$ 12,035,204	\$ 9,264,344	\$ (2,770,860)
Gain (loss) on investments	<u>20,172</u>	<u>20,172</u>	<u>21,652</u>	<u>1,480</u>
Total revenues	<u>12,018,671</u>	<u>12,055,376</u>	<u>9,285,996</u>	<u>(2,769,380)</u>
EXPENDITURES				
Current:				
Street construction and maintenance	456,563	485,700	382,306	103,394
Capital outlay	<u>12,300,000</u>	<u>10,316,706</u>	<u>7,920,054</u>	<u>2,396,652</u>
Total expenditures	<u>12,756,563</u>	<u>10,802,406</u>	<u>8,302,360</u>	<u>2,500,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(737,892)</u>	<u>1,252,970</u>	<u>983,636</u>	<u>(269,334)</u>
Other Financing Sources (Uses):				
Transfers in	<u>396,000</u>	<u>396,000</u>	<u>397,000</u>	<u>(1,000)</u>
Total Other Financing Sources (Uses)	<u>396,000</u>	<u>396,000</u>	<u>397,000</u>	<u>(1,000)</u>
Net change in fund balance	(341,892)	1,648,970	1,380,636	(270,334)
Fund balances - beginning			<u>5,048,317</u>	
Fund balances - ending			<u>\$ 6,428,953</u>	

**CITY OF FARMERSVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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. As such, a budgetary comparison schedule is not presented for these funds.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2022, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Current:			
City properties	42,700	70,984	(28,284)
Public safety:			
Law enforcement	\$ 2,650,598	\$ 2,758,394	\$ (107,796)
Fire services	579,168	663,793	(84,625)
Debt service:			
Principal	-	6,556	(6,556)
Interest	-	956	(956)

**CITY OF FARMERSVILLE
PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022
LAST 10 YEARS***

	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of the net pension liability	0.0174%	0.0131%	0.0139%	0.0141%	0.0136%	0.0135%	0.0146%	0.0061%
Proportionate share of the net pension liability	\$ 1,089,879	\$ 895,761	\$ 1,202,578	\$ 1,394,031	\$ 1,308,300	\$ 1,388,131	\$ 1,587,420	\$ 328,839
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060	\$ 1,709,690	\$ 1,869,089	\$ 1,970,290	\$ 2,070,869
Proportionate share of the net pension liability as a percentage of covered payroll	81.28%	54.69%	63.36%	73.41%	76.52%	74.27%	80.57%	15.88%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	82.38%	79.05%	79.56%	82.53%	82.38%	81.98%	96.54%

Notes to Schedule:

Changes in Benefit Terms - None

Changes of Assumptions - None

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

**CITY OF FARMERSVILLE
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022
LAST 10 YEARS***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	\$ 205,326	\$ 254,448	\$ 264,521	\$ 281,161	\$ 282,522	\$ 285,899	\$ 295,827	\$ 468,607	\$ 670,864
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>	<u>295,827</u>	<u>468,607</u>	<u>670,864</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	\$ 1,970,290	\$ 2,070,869	\$ 2,460,033
Contributions as a percentage of covered payroll	15.31%	15.54%	13.94%	14.81%	16.52%	15.30%	15.01%	22.63%	27.27%

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

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SUPPLEMENTARY INFORMATION

**CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 1,180,576	\$ 8,318	\$ 1,188,894
Receivables:			
Intergovernmental	<u>358,792</u>	<u>-</u>	<u>358,792</u>
Total assets	<u>\$ 1,539,368</u>	<u>\$ 8,318</u>	<u>\$ 1,547,686</u>
LIABILITIES			
Accounts payable	\$ 96,484	\$ -	\$ 96,484
Salaries and benefits payable	4,276	-	4,276
Due to other funds	7,251	-	7,251
Unearned revenue	13,920	-	13,920
Retainage	<u>15,377</u>	<u>-</u>	<u>15,377</u>
Total liabilities	<u>137,308</u>	<u>-</u>	<u>137,308</u>
FUND BALANCES			
Restricted for:			
Public safety	186,807	-	186,807
Community development	566,911	-	566,911
Capital maintenance	662,262	8,318	670,580
Unassigned	<u>(13,920)</u>	<u>-</u>	<u>(13,920)</u>
Total fund balances	<u>1,402,060</u>	<u>8,318</u>	<u>1,410,378</u>
Total liabilities and fund balances	<u>\$ 1,539,368</u>	<u>\$ 8,318</u>	<u>\$ 1,547,686</u>

**CITY OF FARMERSVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Developer fees	\$ 32,614	\$ 6,734	\$ 39,348
Charges for services	70,307	-	70,307
Intergovernmental	1,211,095	-	1,211,095
Gain (loss) on investments	6,255	940	7,195
Miscellaneous revenue	<u>10,000</u>	<u>-</u>	<u>10,000</u>
 Total revenues	 <u>1,330,271</u>	 <u>7,674</u>	 <u>1,337,945</u>
 EXPENDITURES			
Current:			
Public safety:			
Law enforcement	207,223	-	207,223
Street construction and maintenance	56,619	-	56,619
Community development	216,898	-	216,898
Capital outlay	<u>694,409</u>	<u>-</u>	<u>694,409</u>
 Total expenditures	 <u>1,175,149</u>	 <u>-</u>	 <u>1,175,149</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>155,122</u>	 <u>7,674</u>	 <u>162,796</u>
 OTHER FINANCING SOURCES (USES):			
Transfers in	467,000	-	467,000
Transfers out	<u>-</u>	<u>(154,000)</u>	<u>(154,000)</u>
 Total other financing sources (uses)	 <u>467,000</u>	 <u>(154,000)</u>	 <u>313,000</u>
 Net changes in fund balances	 622,122	 (146,326)	 475,796
 Fund balances - beginning	 <u>779,938</u>	 <u>154,644</u>	 <u>934,582</u>
 Fund balances - ending	 <u>\$ 1,402,060</u>	 <u>\$ 8,318</u>	 <u>\$ 1,410,378</u>

**CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022**

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund	Police Grants	State and County Asset Forfeiture	CDBG Program Income	CalHOME Program Income	HOME Program Income	Totals
ASSETS										
Cash and investments	\$ 220,957	\$ -	\$ 186,472	\$ 17,155	\$ 186,769	\$ 2,312	\$ 328,731	\$ 215,377	\$ 22,803	\$ 1,180,576
Receivables:										
Intergovernmental	<u>356,764</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>1,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,792</u>
Total assets	<u>\$ 577,721</u>	<u>\$ 320</u>	<u>\$ 186,472</u>	<u>\$ 17,155</u>	<u>\$ 188,477</u>	<u>\$ 2,312</u>	<u>\$ 328,731</u>	<u>\$ 215,377</u>	<u>\$ 22,803</u>	<u>\$ 1,539,368</u>
LIABILITIES										
Accounts payable	\$ 86,554	\$ 2,425	\$ -	\$ 7,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,484
Salaries and benefits payable	-	294	-	-	3,982	-	-	-	-	4,276
Due to other funds	-	7,251	-	-	-	-	-	-	-	7,251
Unearned revenue	-	-	-	13,920	-	-	-	-	-	13,920
Retainage	<u>15,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,377</u>
Total liabilities	<u>101,931</u>	<u>9,970</u>	<u>-</u>	<u>21,425</u>	<u>3,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,308</u>
FUND BALANCES										
Restricted for:										
Public safety	-	-	-	-	184,495	2,312	-	-	-	186,807
Community development	-	-	-	-	-	-	328,731	215,377	22,803	566,911
Capital maintenance	475,790	-	186,472	-	-	-	-	-	-	662,262
Unassigned	<u>-</u>	<u>(9,650)</u>	<u>-</u>	<u>(4,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,920)</u>
Total fund balances	<u>475,790</u>	<u>(9,650)</u>	<u>186,472</u>	<u>(4,270)</u>	<u>184,495</u>	<u>2,312</u>	<u>328,731</u>	<u>215,377</u>	<u>22,803</u>	<u>1,402,060</u>
Total liabilities and fund balances	<u>\$ 577,721</u>	<u>\$ 320</u>	<u>\$ 186,472</u>	<u>\$ 17,155</u>	<u>\$ 188,477</u>	<u>\$ 2,312</u>	<u>\$ 328,731</u>	<u>\$ 215,377</u>	<u>\$ 22,803</u>	<u>\$ 1,539,368</u>

**CITY OF FARMERSVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Park Development Fund	Maintenance District	Developer Fees	Drug Enforcement Fund	Police Grants	State and County Asset Forfeiture	CDBG Program Income	CalHOME Program Income	HOME Program Income	Totals
REVENUES										
Developer fees	\$ 1,930	\$ -	\$ 30,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,614
Charges for services	-	70,307	-	-	-	-	-	-	-	70,307
Intergovernmental	651,667	-	-	-	161,285	-	270,747	86,602	40,794	1,211,095
Investment income	634	-	1,113	111	1,292	15	1,377	1,375	338	6,255
Miscellaneous revenue	10,000	-	-	-	-	-	-	-	-	10,000
Total revenues	<u>664,231</u>	<u>70,307</u>	<u>31,797</u>	<u>111</u>	<u>162,577</u>	<u>15</u>	<u>272,124</u>	<u>87,977</u>	<u>41,132</u>	<u>1,330,271</u>
EXPENDITURES										
Current:										
Public safety:										
Law enforcement	-	-	-	-	207,223	-	-	-	-	207,223
Street construction and maintenance	-	56,619	-	-	-	-	-	-	-	56,619
Community development	-	-	-	-	-	-	-	131,810	85,088	216,898
Capital outlay	<u>667,267</u>	<u>10,468</u>	<u>16,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>694,409</u>
Total expenditures	<u>667,267</u>	<u>67,087</u>	<u>16,674</u>	<u>-</u>	<u>207,223</u>	<u>-</u>	<u>-</u>	<u>131,810</u>	<u>85,088</u>	<u>1,175,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,036)</u>	<u>3,220</u>	<u>15,123</u>	<u>111</u>	<u>(44,646)</u>	<u>15</u>	<u>272,124</u>	<u>(43,833)</u>	<u>(43,956)</u>	<u>155,122</u>
Other Financing Sources (Uses):										
Transfers in	<u>467,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,000</u>
Total other financing sources (uses)	<u>467,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,000</u>
Net changes in fund balances	463,964	3,220	15,123	111	(44,646)	15	272,124	(43,833)	(43,956)	622,122
Fund balances - beginning	<u>11,826</u>	<u>(12,870)</u>	<u>171,349</u>	<u>(4,381)</u>	<u>229,141</u>	<u>2,297</u>	<u>56,607</u>	<u>259,210</u>	<u>66,759</u>	<u>779,938</u>
Fund balances - ending	<u>\$ 475,790</u>	<u>\$ (9,650)</u>	<u>\$ 186,472</u>	<u>\$ (4,270)</u>	<u>\$ 184,495</u>	<u>\$ 2,312</u>	<u>\$ 328,731</u>	<u>\$ 215,377</u>	<u>\$ 22,803</u>	<u>\$ 1,402,060</u>

**CITY OF FARMERSVILLE
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUND
 JUNE 30, 2022**

	<u>Storm Drain Development Fund</u>
ASSETS	
Cash and investments	\$ <u>8,318</u>
Total assets	<u>\$ 8,318</u>
FUND BALANCES	
Restricted for:	
Capital maintenance	\$ <u>8,318</u>
Total fund balances	<u>8,318</u>
Total fund balances	<u>\$ 8,318</u>

**CITY OF FARMERSVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Storm Drain Development Fund</u>
REVENUES	
Developer fees	\$ 6,734
Investment income	<u>940</u>
Total revenues	<u>7,674</u>
EXPENDITURES	
Current:	
Street construction and maintenance	<u>-</u>
Total expenditures	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,674</u>
Other Financing (Uses):	
Transfers out	<u>(154,000)</u>
Total Other Financing (Uses)	<u>(154,000)</u>
Net change in fund balance	(146,326)
Fund balance - beginning	<u>154,644</u>
Fund balance - ending	<u>\$ 8,318</u>