

CITY OF FARMERSVILLE
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

CITY OF FARMERSVILLE

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, California (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, California, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-17, budgetary comparison information on pages 62-65, the proportionate share of net pension liability on page 66, and the schedule of contributions on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
December 22, 2020

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020. 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 \$48,782,756 (net position). Of this amount, \$9,216,423 (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 \$2,757,796 from the prior fiscal year. Governmental activities increased the City's total net position by \$2,078,629 and business-type activities increased by \$679,167.

The overall increase in net position is due primarily to an increase in revenues, and new revenue sources. The Governmental net position is largely driven by the increase in sales tax revenues and cannabis business tax revenues. Meanwhile, the increase in business-type activities is caused by the approved customer rate increases each year and less so by customer usage within the utility enterprises.

In Fiscal Year 2019-2020, the *South Dakota v. Wayfair* Supreme Court decision held that states may require businesses to collect and remit sales tax even if the business has no in-state physical presence. The decision had broad impacts on states, e-commerce sellers, digital service providers, consumers, and buyers and sellers of businesses. As a result, the City of Farmersville saw a significant change in the Sales and Use Tax receipts for FY 2019-20 over the prior year. A year over year change of nearly 17% increase in Sales and Use Tax.

Even though many other Cities have struggled as a result of the economic impacts associated with the pandemic at the end of Fiscal Year 2019-2020, Farmersville tax receipts have actually benefited as social distancing requirements and retail business restrictions drove residents to make more taxable transactions online, which due to *South Dakota v. Wayfair*, are now directly allocated to Farmersville, not the distribution point of the purchase as done in the previous years. The implementation of the new tax distribution because of *South Dakota v. Wayfair* took place in two phases which happened to coincide with the onset of the pandemic quarantine guidelines and physical distancing restrictions.

Additionally, the first tax receipts from the Cannabis business tax (5% of gross sales by dispensaries) were received and totaled nearly \$700,000 in new revenues to Farmersville (in addition to increases to regular sales tax receipt impacts). This new revenue source is expected to grow in FY 2020-2021 as it will be the first full year with dispensaries open for business. Additionally, the third permitted dispensary may open in the coming year increasing this revenue further when that occurs. However, this revenue source remains precarious with legal and regulatory changes frequent and significant. Additionally, future 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 does not share. However, increased demand and growth is expected in the near-term.

Finally, Farmersville is still working on constructing a new Wastewater Treatment Plan by using a combination of funding sources from USDA Certificate of Participation (debt), and funding from the State Revolving Fund (a conglomeration of Federal and State funding sources) through the Department of Water Resources. The last portion of funding from USDA was spent and reimbursed in Fiscal Year 2019-2020. However, the funding from the State Revolving Fund was partially spent in this period but reimbursement from the State lagged because of the State's implementation of the new financial software Fi\$Cal. As a result, at the end of Fiscal Year 2019-2020 Farmersville was awaiting over \$5,000,000 in reimbursement payments from the State.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

At June 30, 2020, the City's governmental funds reported combined ending fund balances of \$9,130,033 an increase of \$1,618,432 in comparison with the prior year. Changes in several categories affected the combined fund balance of the City in FY 2020. Compared to the prior year, the largest change was in the General Fund and changes were directly related to the Sales Tax changes mentioned earlier in this report. 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 completed on Visalia Road and Walnut Ave. As those projects advance, they are each in a different phase of spending and reimbursement. Miscellaneous adjustments, reclassifications, and delay in grant reimbursements in these governmental funds account the bulk of this net increase outside of the General Fund. More specific data regarding these balances can be seen on the Balance Sheet – Governmental Funds on page 24 of this report.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,946,618. This represents a \$1,047,220 increase to the unassigned fund balance of \$1,899,398 reported at June 30, 2019. Compared to the prior year, FY2020 ended significantly higher. This change represents a 55% increase to this cash balance (located in the General Fund and other units such as the Cannabis Business Tax Fund). The unassigned fund balance is a direct result of the increased sales tax revenues and new revenues received in the year. 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. While these funds are unassigned there is a higher amount of unfunded capital budget items than available cash. 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. With the COVID-19 pandemic surging again at the writing of this report, the economic standing and funding of the City is far from comfortable.

The City's total long-term debt of \$21,513,342 increased by \$15,372,362 compared to last year. The City has increased its debt position significantly in the last year primarily through the debt burden related to the Wastewater Treatment Plant Expansion Project. With the completion of the project expected in Fiscal Year 2020-2021, spending, and therefore increases in debt will continue to grow, but at a reduced rate compared to the current year. Most of the project's expense incurred, and therefore debt was added, in Fiscal Year 2019-2020 (\$15,092,445). The Long-Term Liability related to the Wastewater Treatment Plant Expansion project is two separate debt instruments for 30 and 40 years respectively whereas the capital lease program is typically for three years at a time.

The City continued in the capital leasing programs for Police Department equipment which will add to these debt amounts, but for a much shorter time period. These programs will also continue in future years, adding more shorter term debt. Concurrently, other sources of debt such as compensated absences payable and net pension liability decreased or held steady due to strategic early payment or other administrative action to reduce them.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 21 through 22 of this report.

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

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

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

The City maintains 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 24 through 28 of this report.

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

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

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

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

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

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 35 through 59 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 62 through 67 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 70 through 78.

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 \$48,782,756 at June 30, 2020.

**Condensed Statement of Net Position
June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 9,487,087	\$ 7,763,508	\$ 12,006,944	\$ 11,312,203	\$ 21,494,031	\$ 19,075,711
Capital assets	<u>26,758,552</u>	<u>25,980,257</u>	<u>24,117,487</u>	<u>13,327,729</u>	<u>50,876,039</u>	<u>39,307,986</u>
Total assets	<u>36,245,639</u>	<u>33,743,765</u>	<u>36,124,431</u>	<u>24,639,932</u>	<u>72,370,070</u>	<u>58,383,697</u>
Deferred outflows of resources	<u>461,416</u>	<u>522,738</u>	<u>133,175</u>	<u>190,833</u>	<u>594,591</u>	<u>713,571</u>
Current liabilities	357,054	251,907	2,238,317	1,792,092	2,595,371	2,043,999
Long-term liabilities outstanding	<u>1,613,478</u>	<u>1,356,502</u>	<u>19,899,864</u>	<u>4,784,478</u>	<u>21,513,342</u>	<u>6,140,980</u>
Total liabilities	<u>1,970,532</u>	<u>1,608,409</u>	<u>22,138,181</u>	<u>6,576,570</u>	<u>24,108,713</u>	<u>8,184,979</u>
Deferred inflows of resources	<u>24,615</u>	<u>24,815</u>	<u>48,577</u>	<u>42,956</u>	<u>73,192</u>	<u>67,771</u>
Net position:						
Net investment in capital assets	26,625,065	25,935,024	4,762,306	9,066,993	31,387,371	35,002,017
Restricted	5,846,626	5,211,203	2,332,336	2,294,746	8,178,962	7,505,949
Unrestricted	<u>2,240,217</u>	<u>1,487,052</u>	<u>6,976,206</u>	<u>6,849,500</u>	<u>9,216,423</u>	<u>8,336,552</u>
Total net position	<u>\$ 34,711,908</u>	<u>\$ 32,633,279</u>	<u>\$ 14,070,848</u>	<u>\$ 18,211,239</u>	<u>\$ 48,782,756</u>	<u>\$ 50,844,518</u>

The largest portion of the City's net position, \$31,387,371 (64 %) 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 \$9,216,423 (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 \$7,983,126 (16 %) represents resources that are subject to external restrictions on their use.

The net position of Governmental activities increased by \$2,078,629, accounting for 201% 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, 2020**

**Condensed Statement of Activities
For the Years Ended June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 387,263	\$ 530,952	\$ 3,812,705	\$ 3,741,290	\$ 4,199,968	\$ 4,272,242
Operating grants and contributions	776,412	920,232	624	10,000	777,036	930,232
Capital grants and contributions	1,548,221	1,063,844	15,782	5,271,593	1,564,003	6,335,437
General revenues:						
Property taxes	1,434,714	1,369,636	-	-	1,434,714	1,369,636
Sales taxes	1,774,721	1,522,607	-	-	1,774,721	1,522,607
Cannabis taxes	691,919	-	-	-	691,919	-
Franchise taxes	150,109	140,606	-	-	150,109	140,606
Other taxes	7,019	8,332	-	-	7,019	8,332
Motor vehicle in-lieu	-	-	-	-	-	-
Rental income	184,422	180,246	-	-	184,422	180,246
Earning on investments	298,387	191,628	107,249	94,765	405,636	286,393
Miscellaneous	96,756	78,965	870	368	97,626	79,333
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	7,349,943	6,007,048	3,937,230	9,118,016	11,287,173	15,125,064
Expenses:						
City council	7,962	11,113	-	-	7,962	11,113
Administration	457,722	404,241	-	-	457,722	404,241
City properties	60,866	89,989	-	-	60,866	89,989
Public safety:						
Law enforcement	2,251,119	2,157,407	-	-	2,251,119	2,157,407
Fire services	382,638	778,747	-	-	382,638	778,747
Animal control	75,800	75,115	-	-	75,800	75,115
Buildings, grounds and parks	359,395	190,361	-	-	359,395	190,361
Street construction and maintenance	824,833	957,868	-	-	824,833	957,868
Community development	484,901	790,503	-	-	484,901	790,503
Capital outlay	432,015	-	-	-	432,015	-
Interest and fiscal charges	2,063	2,039	-	-	2,063	2,039
Water	-	-	1,138,171	902,924	1,138,171	902,924
Sewer	-	-	1,181,472	999,771	1,181,472	999,771
Refuse	-	-	870,420	803,383	870,420	803,383
Total expenses	5,339,314	5,457,383	3,190,063	2,706,078	8,529,377	8,163,461
Change in net position before transfers and extraordinary item	2,010,629	549,665	747,167	6,411,938	2,757,796	6,961,603
Transfers	68,000	138,013	(68,000)	(138,013)	-	-
Extraordinary item (see note 13 in the 2019 financial statements)	-	3,568,436	-	-	-	3,568,436
Change in net position	2,078,629	4,256,114	679,167	6,273,925	2,757,796	10,530,039
Net position - beginning (restated)	32,633,279	28,377,165	13,391,681	11,937,314	46,024,960	40,314,479
Net position - ending	<u>\$ 34,711,908</u>	<u>\$ 32,633,279</u>	<u>\$ 14,070,848</u>	<u>\$ 18,211,239</u>	<u>\$ 48,782,756</u>	<u>\$ 50,844,518</u>

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

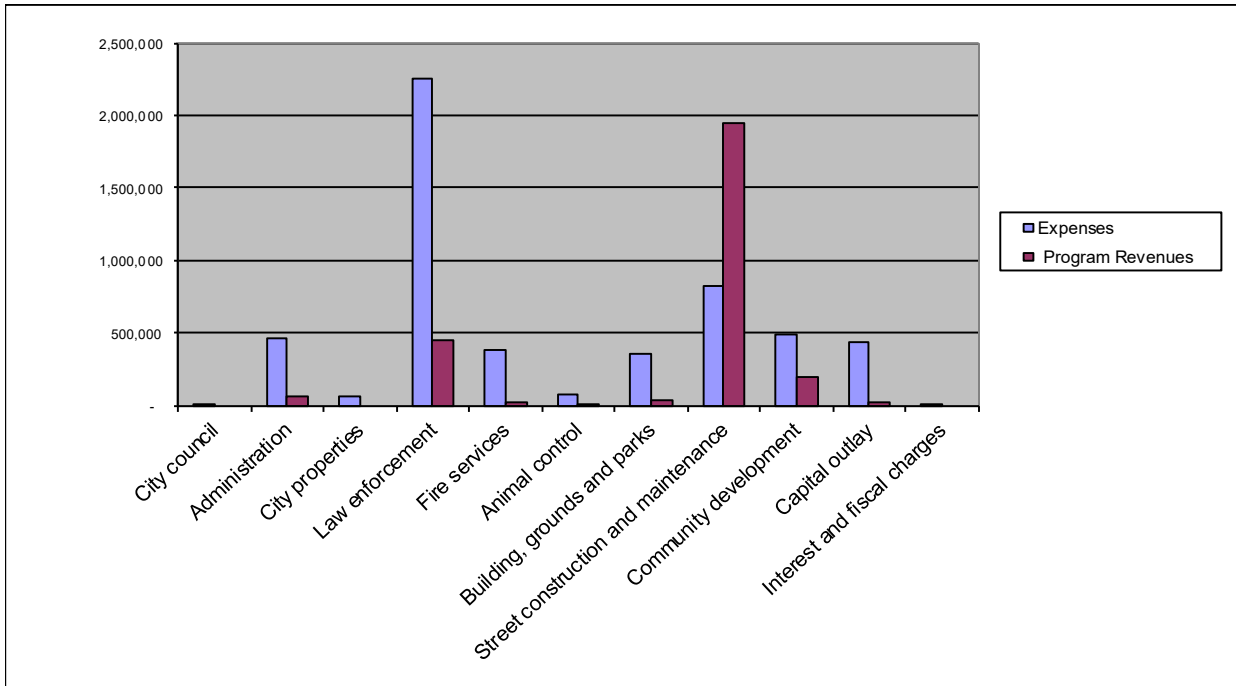
- Overall Governmental Expenses decreased by \$118,069 or about 2% while Governmental Revenues increased by \$1,342,895 or about 22% in the same period.
- Charges for services decreased by \$143,689 or 27% to \$387,263 from the prior year, reversing the trend. This is due mostly to Fire Personnel not responding to State-wide disaster-related calls for mutual aid compared to the prior year.
- Governmental operating grants and contributions decreased for a third year in a row by \$143,820, or 16%, from the prior year to \$776,412 (Fiscal Year 2018 was \$1,349,869 and 2019 was \$920,232). This reduction is the net result of several grants in several different statuses spread across several departments and funds. This is a positive trend as the City shifts from supporting ongoing programs and positions with one-time funds to only running ongoing programs and positions it can pay for with ongoing revenue sources.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

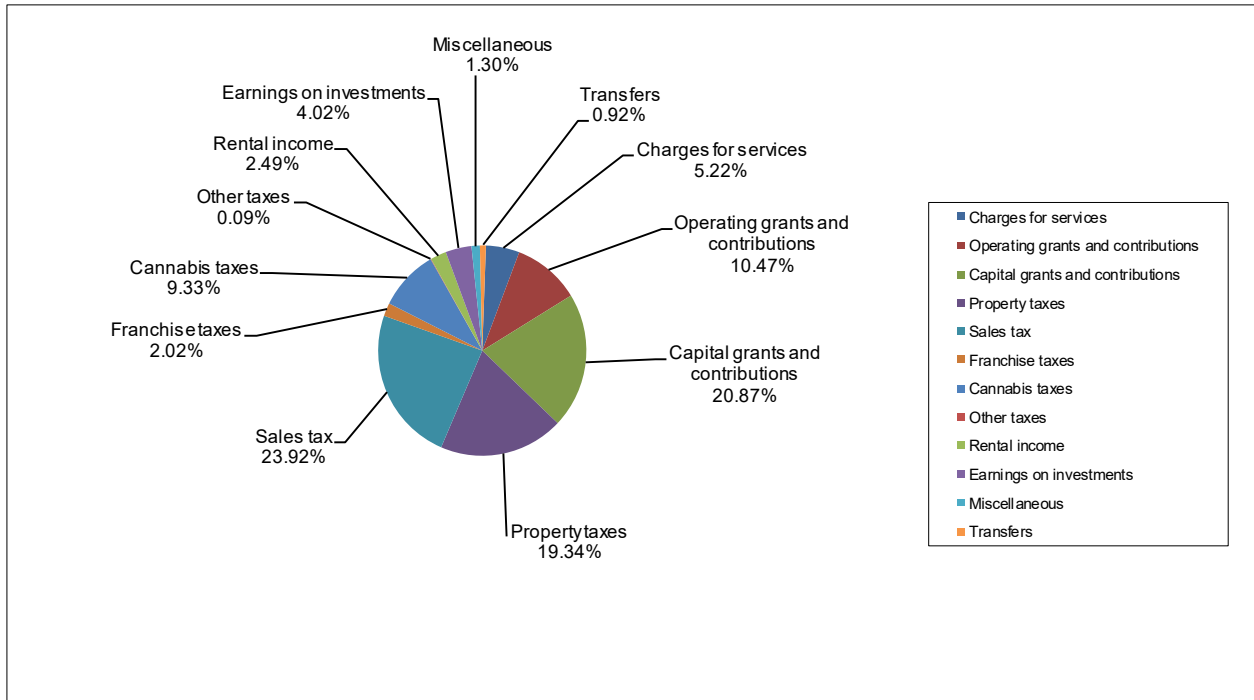
- Capital Grants and Contributions reversed direction and increased by \$484,377 or 46% to \$1,548,221 from the prior year. Similar to the governmental operating grants, this increase is primarily caused by the change in activity with street projects, and other capital purchases during the year. As the 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.
- Sales tax revenues increased \$252,114, or nearly 17%, from the prior year to \$1,774,721. This is the third significant increase in Sale tax revenues in a row (Fiscal Year 2018 increased by 60% and Fiscal Year 2019 by 35%). There are a number of factors impacting this revenue source the most significant of which are Measure P receipts, increases in gas prices, and the impact of the South Dakota v. Wayfair result regarding taxation of online purchases. Measure P is a ½ cent sales tax increase that took effect in April 2019 and specifically raises the sales tax for Farmersville. Increases in gas prices, due to changing market conditions as well as increases in State gas taxes raise the price overall and revenues for the City. Finally, online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City. The addition of two cannabis businesses also impacted sales tax significantly for the period.
- The addition of the Cannabis Business Tax this year made a significant impact on the financial status of the City by adding an additional \$691,919 with taxes collected from October 2019 through June 2020. This represents a 5% tax on the gross sales of cannabis from only two businesses within Farmersville. These revenues are anticipated to grow in the coming years barring any legal or regulatory changes with adverse impacts. However, because the industry is very new, and dependent upon a small number of businesses, the funds cannot be considered consistent or ongoing yet. Budget projections are for this revenue source to increase by nearly 48% in Fiscal Year 2020-2021.
- Franchise fees increased by \$9,503 or nearly 7% compared to an increase of 9% last year. The total franchise fees were \$150,109. Most franchise fees stayed about level but due to the expansion of services through Charter Communications / Spectrum more connections and infrastructure has been put in place which creates more fees for the City.
- Earnings on investments continued to increase again this year by \$106,759 or 56% to \$298,387 from the prior year. The City operates an investment strategy of buy and hold with most investments. This means that at time when the interest rates are favorable to the market value of these investments the securities will gain value. In this last year, interest rate environment changed quickly, and the value of the investments increased 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 upswing in value this year is a continuation of reaction to the large downswing in Fiscal Year 2018. There is another downswing anticipated with the onset of the pandemic's impact on the financial markets.
- All remaining revenue types displayed above are in-line with prior year revenues reported.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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

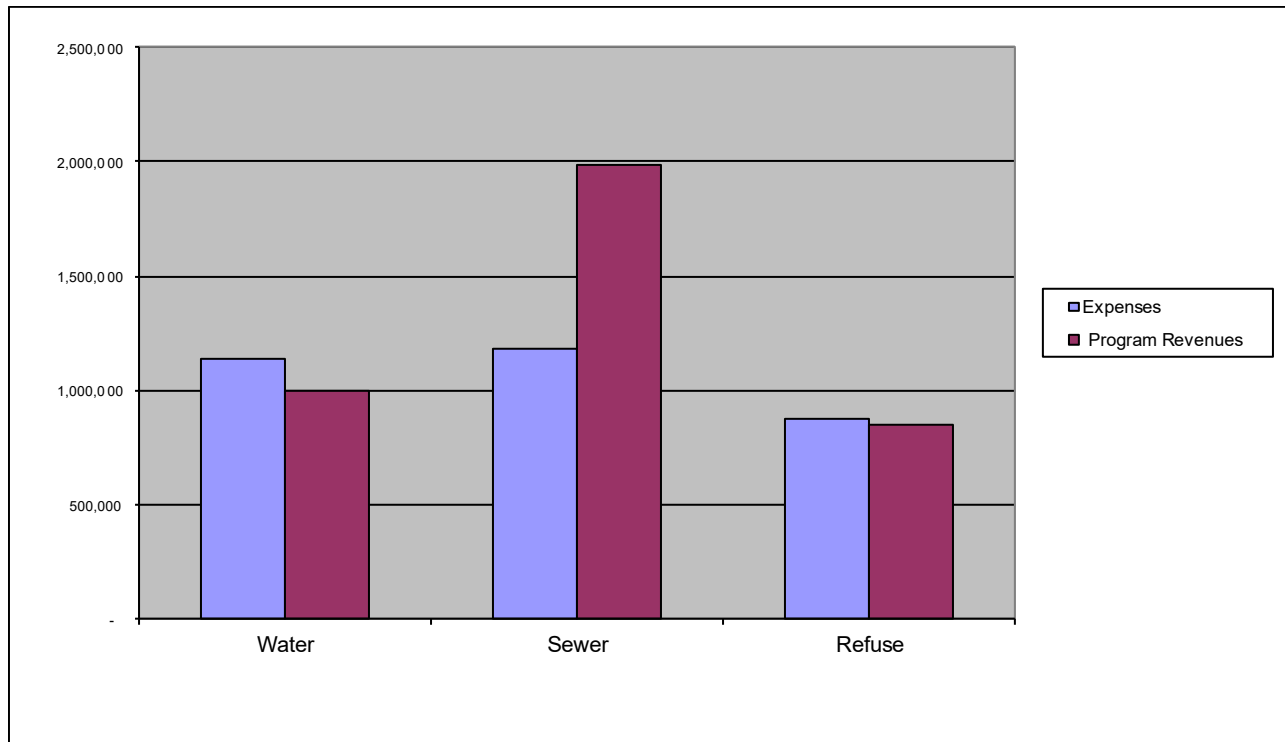
- Overall Governmental Expenses decreased by \$118,069 or about 2% while Governmental Revenues increased by \$1,342,895 or about 22% in the same period.
- City Council expense decreased by \$3,151 or 28% due to decreased Council Member travel because of pandemic restrictions. This is a reverse of the prior year increase of \$8,369 or 305%.
- Administration expenses increased by \$53,481 or about 13% from the prior year to \$457,722. 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 \$29,123 or 32% to \$60,866 (down from \$89,989). Expenses in this category relates to changes to internet services, equipment, and repairs made at the different locations across the City that are rented out to non-profit organizations. Swings in expense are expected as many one-time maintenance and repair costs are not consistent annual costs.
- Law enforcement expenses increased again this year. Expense grew by \$93,712 or over 4% to \$2,251,119 from the prior year. While this is not a significant change it is substantial in that it continues to trend upward each year since 2017. Law Enforcement remains the City's largest operational expense and its smooth operation is important to the City's financial wellbeing.
- Fire services expenses decreased substantially by \$396,109 or 51% to \$382,638 from the prior year. This significant change is due to the restructuring and almost complete turnover of staff. The position of Fire Chief is now a volunteer position with expiration of the SAFER grant in 2019 and salary savings were also realized by the changes. This was an important change to the General Fund to move the salary expense to a more affordable level while providing similar service levels.
- Buildings, Grounds, and Parks increased dramatically from 2019 by \$169,034 or about 89% to \$359,395. 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.
- Street construction and maintenance expenses decreased by \$133,035 or 14% to \$824,833 temporarily. As the City completes various street projects this will decrease as the activity decreases. Road construction projects on Farmersville Blvd., Visalia Road, Walnut Ave., and Freedom are all at various stages of completion and reimbursement (if applicable) that account for this change from the prior year.
- Community development expenses decreased significantly again this year by \$305,602 or 39% to \$484,901. This continues the trend of decreases from the prior year (73% in 2019). The decrease is primarily related to the City's completion of grant-funded projects and substantial completion of the CDBG 2014, HOME 2015, and the ADA compliance planning grant, among others. These expenses will continue to vary greatly depending upon the grant activity of the City.
- Capital Outlay expenses are a new category that was not included in this comparison last year. This is due to the new Capital Improvement Plan and budgeting process of the City and the progress made on purchasing several different vehicles and equipment budgeted for throughout the year in the Capital Fund This is primarily made of vehicles purchased or lease to purchase for the Police and Public Works departments.
- 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, 2020**

Business-type activities. Business-type activities decreased the City's net position by \$4,140,391 over the prior fiscal year. Key elements of this decrease are as follows:

- Charges for services increased by \$71,415 or 2% to \$3,812,705. Fiscal Year 2020 was the second year of a scheduled 5-year ramp up in Water Utility rates to meet the ongoing expenses related to water service delivery.
- Capital grants and contributions decreased by \$5,255,811 to only \$15,782 this year. This massive decrease is directly related to difference in the accounting for the Wastewater Plant Expansion project which is funded by the City's increased rates (final rate increase was in Fiscal Year 2018) and financed from the United States Department of Agriculture and the California Department of Water Resources. In the current year the revenue was received and booked as debt which is a change from the prior year where it was displayed as a revenue. While this project is in process, the accounting for the expense and reimbursement changes, but ultimately the project is first expensed by the City and then reimbursed by the funding agencies through a combination of grants, debt, and loan forgiveness which created both revenue but also long term debt.
- All remaining revenue and expense line items displayed above are in-line with prior year expenses reported.

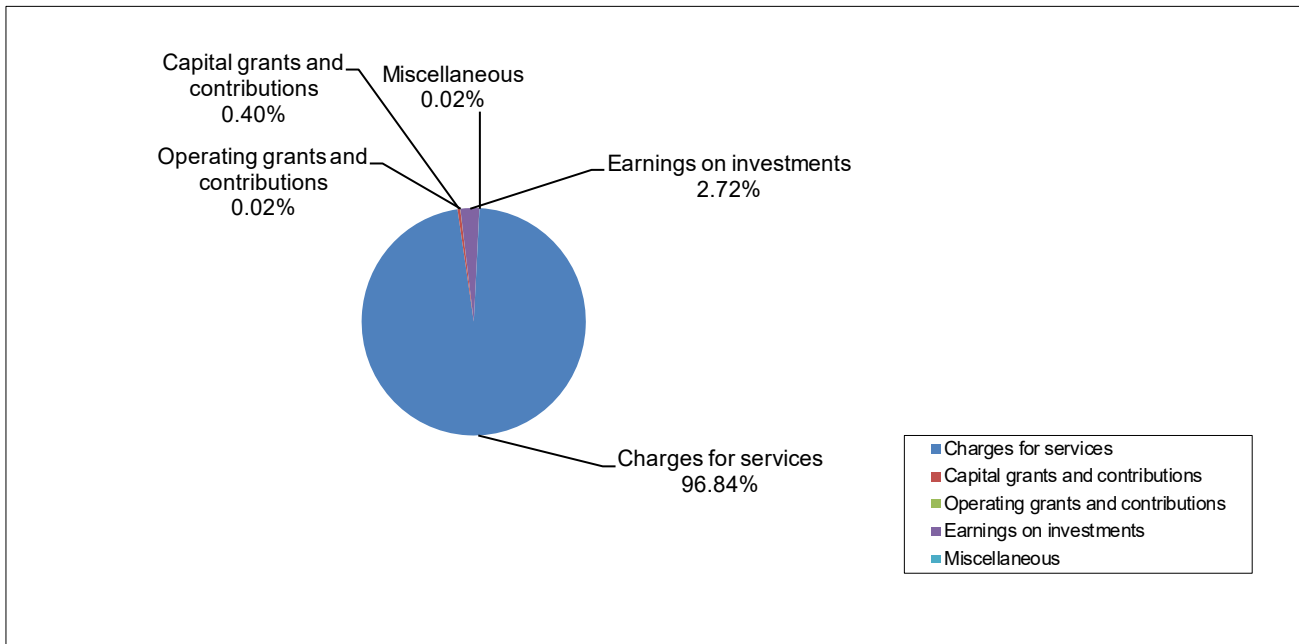
Expenses and Program Revenue – Business-Type Activities



While the expenditures in the Sewer Enterprise fund appear to be significantly lower than revenues, as seen in this chart, this is due to the capitalization of costs incurred during the year related to the Wastewater Treatment Plant Expansion Project. The revenues are reported as operating revenue while the expense is capitalized and listed as an asset and not displayed in this chart. These revenues and expenses are expected to normalize after the construction project is completed in Fiscal Year 2021. For more specific information regarding the capitalized cost and reimbursement for those costs please refer to the Single Audit Report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Revenue by Source – Business-Type Activities



FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,130,033, an increase of \$1,618,432 in comparison to the prior year. Of this total amount, \$6,247,626 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$2,882,407 at June 30, 2020. This represents an increase of \$983,009 from the prior year unassigned fund balance of \$1,899,398 at June 30, 2019.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$4,041,498 and the unassigned fund balance is showing a balance of \$2,946,618 at June 30, 2020.

The fund balance of the City's General Fund increased by \$1,047,220 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, 2020**

**Revenue by Source
GENERAL FUND**

	FY2020		FY2019		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Property taxes	\$ 1,422,050	29.17%	\$ 1,355,766	33.66%	\$ 66,284	7.82%
Sales taxes	1,774,721	36.40%	1,522,607	37.80%	252,114	29.74%
Cannabis taxes	691,919	14.19%	-	0.00%	691,919	81.63%
Other taxes	169,792	3.48%	162,808	4.04%	6,984	0.82%
Licenses and permits	72,866	1.49%	110,987	2.76%	(38,121)	-4.50%
Charges for services	230,904	4.74%	324,772	8.06%	(93,868)	-11.07%
Intergovernmental	39,003	0.80%	175,943	4.37%	(136,940)	-16.16%
Fines and penalties	20,191	0.41%	19,007	0.47%	1,184	0.14%
Investment income	220,571	4.52%	109,928	2.73%	110,643	13.05%
Rent	184,422	3.78%	180,246	4.47%	4,176	0.49%
Miscellaneous	49,279	1.01%	66,061	1.64%	(16,782)	-1.98%
Total	\$ 4,875,718	100.00%	\$ 4,028,125	100.00%	\$ 847,593	100.00%

- Property taxes revenue increased by \$66,284, or 5%, from the prior year to \$1,422,050. Property tax revenue came in higher than those amounts received in the prior fiscal year. The housing supply shortage in the area has boosted values of real estate impacting taxes paid. The State mandated swap between Vehicle License Fees (VLF) and property taxes is also counted here and continues to grow at a healthy rate as vehicles purchases and licensing continues to grow in California.
- Sales tax revenues increased \$252,114, or 17%, from the prior year to \$1,774,721. This is the third significant increase in Sale tax revenues in a row (Fiscal Year 2018 increased by 60% and 2019 increased by 35%). There are a number of factors impacting this revenue source again this year. The most significant of which are the new Measure P receipts, Cannabis Dispensary sales, and the impact of the South Dakota v. Wayfair result regarding taxation of online purchases. Measure P is a ½ cent sales tax increase that took effect in April 2019 and specifically raises the sales tax for Farmersville (also applied to online sales now too). Increases caused by the sales at the Cannabis Dispensaries are significant and impact this category of revenue in addition to the specific tax on Cannabis. Finally, online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City, especially during the pandemic stay at home order.
- Cannabis tax revenue was new in FY2020 and amounted to \$691,919. This is the new revenue source for the City in Fiscal Year 2020. Measure Q took effect in April of 2019 and cannabis businesses opened in the second half of Fiscal Year 2020. This new revenue source represents a partial year of taxation and is expected to increase in future years. However, the industry is new and regulation is changing rapidly at the State level which could change this income in the future.
- Other taxes revenue increased by \$6,984, or 4%, from the prior year to \$169,792. A variety of revenue sources had positive results leading to a healthy increase primarily associated with real estate transfer taxes and franchise fees paid to the City.
- Licenses and permits revenue decreased by \$38,121, or 34%, from the prior year to \$72,866. A spike in fees associated with various permitting processes last year did not continue into Fiscal Year 2020. This is a normal ebb and flow of with the demand for permitted projects and other activities. Activity did decrease partially due to pandemic impacts in the economy and stay at home orders.
- Charges for services revenue decreased by \$93,868, or 29%, from the prior year to \$230,904. These revenues are associated primarily with Police and Fire services and are reactionary to the demand and situations presented to the City throughout the year. The Fire Department responded to mutual aid requests throughout the State in 2019 dramatically increasing this level from 2018 but did not continue to do so in 2020 and so the revenues decreased as a result.
- Intergovernmental revenue decreased \$136,940, or 78%, from the prior year to \$39,003. The primary reason for this decrease is the SAFER grant which supported the cost of two positions in the Fire Department was completed in 2019 and not continued in 2020. Therefore, this large decrease in intergovernmental revenue is expected and this cost will level out in coming years.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

- Fines and penalties revenue increased \$1,184, or 6%, from the prior year to \$20,191. These revenues are associated primarily with Police and Fire services and are reactionary to the demand and situations presented to the City throughout the year.
- Investment income increased \$110,643, or 101%, from the prior year to \$220,571. As described previously in this report, when the interest rate environment changes to a favorable environment the value of the investments will increase. Nevertheless, the ultimate value of the security remains unchanged and the interest / dividend rate remains unchanged. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large upswing in value this year is a result of the quick, but temporary increasing rate environment in Fiscal Year 2020.
- Rent revenue increased \$4,176, or 2% from the prior year to \$184,422. The increase is attributable to the normal increases in rent included in contracts with leases of City property.
- Miscellaneous revenue decreased by \$16,782, or 25%, from the prior year to \$49,279. The decrease was due to receipt of less unrelated one-time revenues during the prior fiscal year.
- The following provides an explanation of expenditures by function that changed significantly over the prior year:

**Expenditures by Function
GENERAL FUND**

	FY2020		FY2019		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
City council	\$ 7,962	0.20%	\$ 11,113	0.27%	\$ (3,151)	2.61%
Administration	490,876	12.15%	396,125	9.52%	94,751	-78.54%
City properties	41,659	1.03%	66,993	1.61%	(25,334)	21.00%
Law enforcement	2,048,158	50.68%	2,114,713	50.81%	(66,555)	55.17%
Fire services	378,415	9.36%	764,929	18.38%	(386,514)	320.38%
Animal control	75,093	1.86%	76,283	1.83%	(1,190)	0.99%
Buildings, grounds and parks	241,330	5.97%	155,044	3.73%	86,286	-71.52%
Street construction and maintenance	-	0.00%	-	0.00%	-	0.00%
Community development	298,777	7.39%	410,081	9.85%	(111,304)	92.26%
Capital outlay	421,822	10.44%	135,384	3.25%	286,438	-237.43%
Debt Service	37,406	0.93%	31,475	0.76%	5,931	-4.92%
Total	\$ 4,041,498	100.00%	\$ 4,162,140	100.00%	\$ (120,642)	100.00%

- City Council expenditures decreased by \$3,151 or 28% to \$7,962 from the prior year due to decreased Council Member travel and activity related to pandemic stay at home orders.
- Administration expenditures increased by \$94,751 or 24% from the prior year to \$490,876. General increases in cost and more administrative activity related to project management, 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.
- City Properties expenditures decreased by \$25,334 or 38% from the prior year to \$41,659. 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 expenses decreased by \$66,555 or 3% from the prior year to \$2,048,158. Typically these costs will go up each year closely matching the increasing costs related to salaries and benefits. However, significant turn over created salary savings and some minor expense changes from the prior year totaled an overall decrease in expense for the period.
- Fire services expenses decreased by \$386,514 or 51% from the prior year to \$378,415. The City restructured the Fire Department staffing after the completion of the SAFER grant which supported two positions. In addition, the significant turnover in this department also created salary savings compared to the prior year.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

- Animal control expenditures decreased by \$1,190, or 2%, from the prior year to \$75,093 and is a normal year to year change in cost relative to this operation unit.
- Buildings, grounds, and parks expenditures increased by \$86,286 or 56%, from the prior year to \$241,330. Various changes related to one-time projects and clean up of City properties and parks requiring the hiring of temporary staff and materials that did not occur in previous years account for this change.
- Community development expenditures decreased by \$111,304, or 27%, from the prior year to \$298,777. Changes in this department are related to various grant projects and initiatives which vary in cost from year to year. In the previous year, a significant write of expense increased the cost in this department but was one time in nature. Therefore, the substantial decrease in cost in the area compared to the prior year is natural.
- Capital outlay expenditures increased by \$286,438 or 212% from the prior year to \$421,822. This increase is due to the implementation of the 2020 Capital Budget and the related equipment purchases across several departments, primarily multiple vehicles and public works equipment.
- Debt services expenditures decreased by \$5,931 or 19% from the prior year to \$37,406 related to a new round of Police Vehicle Purchase Plan lease expenses for the period.

Governmental Major Funds

The Federal and State Grants Special Revenue Fund has a total fund balance deficit of \$59,830, all of which is considered unrestricted due to the deficit balance, otherwise this would be considered restricted for community development. The net decrease in fund balance during the current year was \$67,541 due to expenses related to grant expenditures incurred previously but reimbursed from the State in the current period. It is common to experience a lag in reimbursement that carries over fiscal years.

The Street Tax Special Revenue Fund has a total fund balance of \$4,861,332, all of which is restricted to street construction and maintenance. The net increase in fund balance during the current fiscal year was \$717,109. Several of the City's road projects during the prior fiscal year received federal or state grant reimbursement to offset the project cost from the prior year. Consequently, in addition to current year Measure R revenue, reimbursement from these prior year expenses were also received and applied to the currently year increasing the fund balance from local, State, and Federal revenues sources.

The Low and Moderate Income Special Revenue Fund has a total fund balance of \$85,731, all of which is restricted to community development. The net increase in fund balance during the current fiscal year was \$31,791 due to interest earnings and receipt of program income. The fund did not have other significant activity because the current grant programs were ending in Fiscal Year 2020, 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 \$100,758 higher than the final budgetary appropriations. This variance is just over 2.5% which is an acceptable margin of error. While all major operational units stayed within budget there were a number of unbudgeted expenses that put actual expenditures higher than the budgetary appropriations.

During the year, actual revenues were \$729,898 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, 2020**

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, 2020, amounts to \$50,876,039 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure in progress, building and improvements, vehicles, machinery, equipment, infrastructure, and utility transmission structures. The total increase in the City's investments in capital assets for the current year is approximately 29 %.

City of Farmersville's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,895,062	\$ 1,895,062	\$ 953,935	\$ 953,935	\$ 2,848,997	\$ 2,848,997
Infrastructure in progress	2,211,565	1,419,627	19,436,940	8,687,555	21,648,505	10,107,182
Building and improvements	6,805,675	6,706,460	149,461	152,061	6,955,136	6,858,521
Vehicles, machinery and equipment	2,636,270	2,334,890	1,287,812	1,670,319	3,924,082	4,005,209
Infrastructure	20,521,677	20,199,536	-	-	20,521,677	20,199,536
Utility transmission structures	-	-	6,346,318	6,465,593	6,346,318	6,465,593
Less: Accumulated Depreciation	(7,311,697)	(6,575,318)	(4,056,979)	(4,601,734)	(11,368,676)	(11,177,052)
Total	<u>\$ 26,758,552</u>	<u>\$ 25,980,257</u>	<u>\$ 24,117,487</u>	<u>\$ 13,327,729</u>	<u>\$ 50,876,039</u>	<u>\$ 39,307,986</u>

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

▪ Construction in Progress for Wastewater Treatment Plant	\$ 10,278,987
▪ WWTP Sewer Line Replacement	470,090
▪ North Farmersville Blvd Road Improvements	709,951
▪ East Walnut Avenue Improvements	145,213
	<u>\$ 11,604,241</u>

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

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$21,513,342. Of this amount, \$1,613,478 is the liability of governmental activities and \$19,899,864 is the liability of business-type activities.

City of Farmersville's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Loans payable	\$ -	\$ -	\$ 19,355,181	\$ 4,260,736	\$ 19,355,181	\$ 4,260,736
Capital leases payable	133,487	45,233	-	-	133,487	45,233
Compensated Absences	502,352	422,833	134,191	103,878	636,543	526,711
Net pension liability	977,639	888,436	410,492	419,864	1,388,131	1,308,300
Total	<u>\$ 1,613,478</u>	<u>\$ 1,356,502</u>	<u>\$ 19,899,864</u>	<u>\$ 4,784,478</u>	<u>\$ 21,513,342</u>	<u>\$ 6,140,980</u>

Additional information on the City's long-term debt can be found in Note 8 of the financial statements on pages 49 through 51 of this report.

**CITY OF FARMERSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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:

- Pandemic economic impacts
- 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 Nation.
- Increased Workers Compensation costs due to Local, State, and National trends.
- Increases in CalPERS normal cost and UAL 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 7,923,956	\$ 3,934,326	\$ 11,858,282
Receivables, net of allowance for uncollectibles:			
Consumer	310,127	308,022	618,149
Intergovernmental	1,250,383	5,628,096	6,878,479
Due from the Successor Agency	2,621	-	2,621
Restricted assets:			
Cash and investments	-	2,136,500	2,136,500
Capital assets, net	<u>26,758,552</u>	<u>24,117,487</u>	<u>50,876,039</u>
Total assets	<u>36,245,639</u>	<u>36,124,431</u>	<u>72,370,070</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>461,416</u>	<u>133,175</u>	<u>594,591</u>
Total deferred outflows of resources	<u>461,416</u>	<u>133,175</u>	<u>594,591</u>
LIABILITIES			
Accounts payable	292,429	1,429,567	1,721,996
Salaries and benefits payable	38,796	14,261	53,057
Retainage payable	4,322	773,453	777,775
Deposits	950	11,263	12,213
Unearned revenue	20,557	9,773	30,330
Long-term liabilities			
Portion due or payable within one year:			
Compensated absences	100,470	26,839	127,309
Loans payable	-	74,000	74,000
Capital leases payable	47,067	-	47,067
Portion due or payable after one year:			
Compensated absences	401,882	107,352	509,234
Loans payable	-	19,281,181	19,281,181
Capital leases payable	86,420	-	86,420
Net pension liability	<u>977,639</u>	<u>410,492</u>	<u>1,388,131</u>
Total liabilities	<u>1,970,532</u>	<u>22,138,181</u>	<u>24,108,713</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>24,615</u>	<u>48,577</u>	<u>73,192</u>
Total deferred inflows of resources	<u>24,615</u>	<u>48,577</u>	<u>73,192</u>
NET POSITION			
Net investment in capital assets	26,625,065	4,762,306	31,387,371
Restricted for:			
Debt service	-	751,623	751,623
Public safety	243,721	-	243,721
Capital projects	-	1,580,713	1,580,713
Community development	248,941	-	248,941
Capital maintenance	5,353,964	-	5,353,964
Unrestricted	<u>2,240,217</u>	<u>6,976,206</u>	<u>9,216,423</u>
Total net position	<u>\$ 34,711,908</u>	<u>\$ 14,070,848</u>	<u>\$ 48,782,756</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, 2020**

	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
Governmental Activities:							
City council	\$ 7,962	\$ -	\$ -	\$ -	\$ (7,962)	\$ -	\$ (7,962)
Administration	457,722	64,863	-	-	(392,859)	-	(392,859)
City properties	60,866	-	-	-	(60,866)	-	(60,866)
Public safety:							
Law enforcement	2,251,119	214,771	172,795	59,033	(1,804,520)	-	(1,804,520)
Fire services	382,638	9,699	-	4,640	(368,299)	-	(368,299)
Animal control	75,800	2,790	-	-	(73,010)	-	(73,010)
Building, grounds and parks	359,395	472	-	27,578	(331,345)	-	(331,345)
Street construction and maintenance	824,833	62,830	444,727	1,436,970	1,119,694	-	1,119,694
Community development	484,901	31,838	158,890	-	(294,173)	-	(294,173)
Capital outlay	432,015	-	-	20,000	(412,015)	-	(412,015)
Interest and fiscal charges	2,063	-	-	-	(2,063)	-	(2,063)
Total governmental activities	5,339,314	387,263	776,412	1,548,221	(2,627,418)	-	(2,627,418)
Business-Type Activities:							
Water	1,138,171	987,823	-	6,230	-	(144,118)	(144,118)
Sewer	1,181,472	1,973,337	-	9,552	-	801,417	801,417
Refuse	870,420	851,545	624	-	-	(18,251)	(18,251)
Total business-type activities	3,190,063	3,812,705	624	15,782	-	639,048	639,048
Total City of Farmersville	\$ 8,529,377	\$ 4,199,968	\$ 777,036	\$ 1,564,003	(2,627,418)	639,048	(1,988,370)
General revenues:							
Taxes:							
				1,434,714	-	1,434,714	
				1,774,721	-	1,774,721	
				691,919	-	691,919	
				150,109	-	150,109	
				7,019	-	7,019	
				184,422	-	184,422	
				298,387	107,249	405,636	
				96,756	870	97,626	
				68,000	(68,000)	-	
				4,706,047	40,119	4,746,166	
				2,078,629	679,167	2,757,796	
				32,633,279	13,391,681	46,024,960	
				\$ 34,711,908	\$ 14,070,848	\$ 48,782,756	

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

FUND FINANCIAL STATEMENTS

CITY OF FARMERSVILLE

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	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	\$ 2,635,573	\$ -	\$ 4,285,490	\$ 85,731	\$ 917,162	\$ 7,923,956
Receivables:						
Accounts	310,127	-	-	-	-	310,127
Intergovernmental	448,569	97,813	697,524	-	6,477	1,250,383
Due from other funds	92,033	-	-	-	-	92,033
Due from the Successor Agency	2,621	-	-	-	-	2,621
	<u>3,488,923</u>	<u>97,813</u>	<u>4,983,014</u>	<u>85,731</u>	<u>923,639</u>	<u>9,579,120</u>
Total assets	\$ 3,488,923	\$ 97,813	\$ 4,983,014	\$ 85,731	\$ 923,639	\$ 9,579,120
LIABILITIES						
Accounts payable	\$ 98,761	\$ 65,610	\$ 115,542	\$ -	\$ 12,516	\$ 292,429
Salaries and benefits payable	34,791	-	1,818	-	2,187	38,796
Retainage payable	-	-	4,322	-	-	4,322
Deposits	950	-	-	-	-	950
Due to other funds	-	92,033	-	-	-	92,033
Unearned revenue	6,803	-	-	-	13,754	20,557
	<u>141,305</u>	<u>157,643</u>	<u>121,682</u>	<u>-</u>	<u>28,457</u>	<u>449,087</u>
Total liabilities	141,305	157,643	121,682	-	28,457	449,087
FUND BALANCES						
Restricted for:						
Public safety	-	-	-	-	243,721	243,721
Community development	-	-	-	85,731	163,210	248,941
Capital maintenance	-	-	4,861,332	-	492,632	5,353,964
Debt service reserve	-	-	-	-	-	-
Assigned to:						
General government	401,000	-	-	-	-	401,000
Unassigned	2,946,618	(59,830)	-	-	(4,381)	2,882,407
	<u>3,347,618</u>	<u>(59,830)</u>	<u>4,861,332</u>	<u>85,731</u>	<u>895,182</u>	<u>9,130,033</u>
Total fund balances	3,347,618	(59,830)	4,861,332	85,731	895,182	9,130,033
Total liabilities and fund balances	\$ 3,488,923	\$ 97,813	\$ 4,983,014	\$ 85,731	\$ 923,639	\$ 9,579,120

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, 2020**

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

Total fund balances - governmental funds		\$ 9,130,033
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 \$34,070,249 and the accumulated depreciation is \$7,311,697.		26,758,552
Deferred outflow of resources relatd to pensions		461,416
Deferred inflows of resources relatd to pensions		(24,615)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Capital leases payable	(133,487)	
Compensated absences	(502,352)	
Net pension liability	<u>(977,639)</u>	
Total long-term liabilities		<u>(1,613,478)</u>
Net position of governmental activities		<u>\$ 34,711,908</u>

CITY OF FARMERSVILLE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	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	\$ 1,422,050	\$ -	\$ -	\$ -	\$ -	\$ 1,422,050
Sales taxes	1,774,721	-	-	-	-	1,774,721
Cannabis taxes	691,919	-	-	-	-	691,919
Other taxes	169,792	-	-	-	-	169,792
Licenses and permits	72,866	-	-	-	-	72,866
Developer fees	-	-	-	-	10,137	10,137
Charges for services	230,904	-	-	-	62,830	293,734
Intergovernmental	39,003	468,273	1,879,549	-	341,632	2,728,457
Fines and penalties	20,191	-	-	-	2,917	23,108
Investment income	220,571	-	61,232	-	13,584	295,387
Rental income	184,422	-	-	-	-	184,422
Miscellaneous revenues	49,279	-	12,769	31,791	-	93,839
	<u>4,875,718</u>	<u>468,273</u>	<u>1,953,550</u>	<u>31,791</u>	<u>431,100</u>	<u>7,760,432</u>
Total revenues						
EXPENDITURES						
Current:						
City council	7,962	-	-	-	-	7,962
Administration	490,876	-	-	-	-	490,876
City properties	41,659	-	-	-	-	41,659
Public safety:						
Law enforcement	2,048,158	-	-	-	227,052	2,275,210
Fire services	378,415	-	-	-	-	378,415
Animal control	75,093	-	-	-	-	75,093
Buildings, grounds and parks	241,330	-	-	-	42,370	283,700
Street construction and maintenance	-	-	279,456	-	112,725	392,181
Community development	298,777	535,814	-	-	103,970	938,561
Capital outlay	421,822	-	956,985	-	35,710	1,414,517
Debt service:						
Principal	37,326	-	-	-	19,420	56,746
Interest	80	-	-	-	-	80
	<u>4,041,498</u>	<u>535,814</u>	<u>1,236,441</u>	<u>-</u>	<u>541,247</u>	<u>6,355,000</u>
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	<u>834,220</u>	<u>(67,541)</u>	<u>717,109</u>	<u>31,791</u>	<u>(110,147)</u>	<u>1,405,432</u>

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, 2020
(Continued)**

	<u>Special Revenue Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Federal and State Grants</u>	<u>Street Tax</u>	<u>Low and Moderate Income Housing Asset</u>	<u>Nonmajor Governmental Funds</u>	
OTHER FINANCING SOURCES (USES)						
Proceeds of capital lease	145,000	-	-	-	-	145,000
Transfers in	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,000</u>
Total other financing sources (uses)	<u>213,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,000</u>
Net change in fund balances	1,047,220	(67,541)	717,109	31,791	(110,147)	1,618,432
Fund balances - beginning	<u>2,300,398</u>	<u>7,711</u>	<u>4,144,223</u>	<u>53,940</u>	<u>1,005,329</u>	<u>7,511,601</u>
Fund balances - ending	<u>\$ 3,347,618</u>	<u>\$ (59,830)</u>	<u>\$ 4,861,332</u>	<u>\$ 85,731</u>	<u>\$ 895,182</u>	<u>\$ 9,130,033</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, 2020**

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

Net change in fund balances - total governmental funds \$ 1,618,432

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	1,682,317
Depreciation expense	(895,677)

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

Disposal of assets	(8,345)
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The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure.

Proceeds from capital leases payable	(145,000)
Payment of capital leases payable	56,746

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. (79,519)

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. (150,325)

Change in net position of governmental activities \$ 2,078,629

CITY OF FARMERSVILLE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 910,798	\$ 2,662,788	\$ 360,740	\$ 3,934,326
Consumer receivables, net of allowance	117,863	147,955	42,204	308,022
Intergovernmental receivables	-	5,628,096	-	5,628,096
Total current assets	<u>1,028,661</u>	<u>8,438,839</u>	<u>402,944</u>	<u>9,870,444</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	380,420	1,756,080	-	2,136,500
Capital assets, net	<u>1,963,070</u>	<u>22,154,417</u>	<u>-</u>	<u>24,117,487</u>
Total noncurrent assets	<u>2,343,490</u>	<u>23,910,497</u>	<u>-</u>	<u>26,253,987</u>
Total assets	<u>3,372,151</u>	<u>32,349,336</u>	<u>402,944</u>	<u>36,124,431</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>59,826</u>	<u>60,493</u>	<u>12,856</u>	<u>133,175</u>
Total deferred outflows of resources	<u>59,826</u>	<u>60,493</u>	<u>12,856</u>	<u>133,175</u>
LIABILITIES				
Current liabilities:				
Accounts payable	23,834	1,365,591	40,142	1,429,567
Salaries and benefits payable	6,641	6,434	1,186	14,261
Deposits	11,263	-	-	11,263
Retainage payable	-	773,453	-	773,453
Unearned revenue	-	-	9,773	9,773
Compensated absences	12,261	11,811	2,767	26,839
Loans payable	-	74,000	-	74,000
Total current liabilities	<u>53,999</u>	<u>2,231,289</u>	<u>53,868</u>	<u>2,339,156</u>
Noncurrent liabilities:				
Compensated absences	49,042	47,244	11,066	107,352
Loans payable	-	19,281,181	-	19,281,181
Net pension liability	<u>187,858</u>	<u>182,456</u>	<u>40,178</u>	<u>410,492</u>
Total noncurrent liabilities	<u>236,900</u>	<u>19,510,881</u>	<u>51,244</u>	<u>19,799,025</u>
Total liabilities	<u>290,899</u>	<u>21,742,170</u>	<u>105,112</u>	<u>22,138,181</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>21,435</u>	<u>22,456</u>	<u>4,686</u>	<u>48,577</u>
Total deferred inflows of resources	<u>21,435</u>	<u>22,456</u>	<u>4,686</u>	<u>48,577</u>
NET POSITION				
Net investment in capital assets	1,963,070	2,799,236	-	4,762,306
Restricted for:				
Debt service	-	751,623	-	751,623
Capital projects	576,256	1,004,457	-	1,580,713
Unrestricted	<u>580,317</u>	<u>6,089,887</u>	<u>306,002</u>	<u>6,976,206</u>
Total net position	<u>\$ 3,119,643</u>	<u>\$ 10,645,203</u>	<u>\$ 306,002</u>	<u>\$ 14,070,848</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, 2020**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Operating Revenues:				
Charges for services	\$ 988,175	\$ 1,973,337	\$ 851,545	\$ 3,813,057
Operating Expenses:				
Personnel costs	533,549	440,563	101,862	1,075,974
Utilities	119,085	51,266	-	170,351
Contractual services	76,152	124,607	693,562	894,321
Franchise payments	10,750	12,500	44,105	67,355
Operations and maintenance	229,235	281,804	5,123	516,162
Provision for bad debts	68,095	70,825	25,768	164,688
Depreciation	101,305	104,738	-	206,043
Total operating expenses	<u>1,138,171</u>	<u>1,086,303</u>	<u>870,420</u>	<u>3,094,894</u>
Operating income (loss)	<u>(149,996)</u>	<u>887,034</u>	<u>(18,875)</u>	<u>718,163</u>
Nonoperating Revenue (Expenses):				
Connection fees	6,230	7,978	-	14,208
Developer fees	-	1,574	-	1,574
Grant revenue	-	518	624	1,142
Investment income	21,064	80,760	5,425	107,249
Interest expense	-	(92,512)	-	(92,512)
Loss on disposal of capital assets	-	(2,657)	-	(2,657)
Total nonoperating revenues (expenses)	<u>27,294</u>	<u>(4,339)</u>	<u>6,049</u>	<u>29,004</u>
Income (loss) before transfers	(122,702)	882,695	(12,826)	747,167
Transfers out	<u>(34,000)</u>	<u>(34,000)</u>	<u>-</u>	<u>(68,000)</u>
Change in net position	(156,702)	848,695	(12,826)	679,167
Net position - beginning	<u>3,208,753</u>	<u>14,683,658</u>	<u>318,828</u>	<u>18,211,239</u>
Prior period adjustments	<u>67,592</u>	<u>(4,887,150)</u>	<u>-</u>	<u>(4,819,558)</u>
Net position - beginning (as restated)	<u>3,276,345</u>	<u>9,796,508</u>	<u>318,828</u>	<u>13,391,681</u>
Net position - ending	<u>\$ 3,119,643</u>	<u>\$ 10,645,203</u>	<u>\$ 306,002</u>	<u>\$ 14,070,848</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, 2020

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 931,455	\$ 1,958,123	\$ 843,187	\$ 3,732,765
Cash payments to employees	(463,904)	(431,658)	(91,532)	(987,094)
Cash payments to suppliers	(440,045)	(504,262)	(742,444)	(1,686,751)
Cash received from grants	-	-	9,773	9,773
Net cash provided by (used in) operating activities	<u>27,506</u>	<u>1,022,203</u>	<u>18,984</u>	<u>1,068,693</u>
Cash Flows from Noncapital and Related Financing Activities				
Cash received from grants	-	-	624	624
Transfers out	(34,000)	(34,000)	-	(68,000)
Net cash provided by (used in) noncapital and related financing activities	<u>(34,000)</u>	<u>(34,000)</u>	<u>624</u>	<u>(67,376)</u>
Cash Flows from Capital and Related Financing Activities				
Cash received from connection fees	6,230	7,978	-	14,208
Cash received from developer fees	-	1,574	-	1,574
Cash received from grants	-	(6,842,056)	-	(6,842,056)
Acquisition of capital assets	(214,769)	(10,299,953)	-	(10,514,722)
Proceeds from long-term debt	-	13,685,146	-	13,685,146
Principal paid on long-term debt	-	(72,000)	-	(72,000)
Interest paid on long-term debt	-	(117,236)	-	(117,236)
Net cash provided by (used in) capital and related financing activities	<u>(208,539)</u>	<u>(3,636,547)</u>	<u>-</u>	<u>(3,845,086)</u>
Cash Flows from Investing Activities				
Interest on investments	21,064	80,760	5,425	107,249
Net cash provided by (used in) investing activities	<u>21,064</u>	<u>80,760</u>	<u>5,425</u>	<u>107,249</u>
Net increase (decrease) in cash and investments	(193,969)	(2,567,584)	25,033	(2,736,520)
Cash and cash equivalents, July 1, 2019	1,485,187	6,986,452	335,707	8,807,346
Cash and cash equivalents, June 30, 2020	<u>\$ 1,291,218</u>	<u>\$ 4,418,868</u>	<u>\$ 360,740</u>	<u>\$ 6,070,826</u>

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

Operating income (loss)	\$ (149,996)	\$ 887,034	\$ (18,875)	\$ 718,163
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>				
Depreciation	101,305	104,738	-	206,043
Bad debt expense	68,095	70,825	25,768	164,688
<i>Change in Assets and Liabilities:</i>				
(Increase) decrease in consumer receivables	(63,062)	(15,214)	(8,358)	(86,634)
(Increase) decrease in pension related deferred outflows of resources	15,497	37,520	4,641	57,658
Increase (decrease) in accounts payable	(4,823)	(34,085)	346	(38,562)
Increase (decrease) in salaries and benefits payable	2,304	2,263	93	4,660
Increase (decrease) in deposits payable	6,342	-	-	6,342
Increase (decrease) in unearned revenue	-	-	9,773	9,773
Increase (decrease) in compensated absences	24,803	1,985	3,525	30,313
Increase (decrease) in net pension liability	22,531	(33,276)	1,373	(9,372)
Increase (decrease) in pension related deferred inflows of resources	<u>4,510</u>	<u>413</u>	<u>698</u>	<u>5,621</u>
Net cash provided by (used in) operating activities	<u>\$ 27,506</u>	<u>\$ 1,022,203</u>	<u>\$ 18,984</u>	<u>\$ 1,068,693</u>
Noncash Investing, Capital and Financing Activities:				
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ 2,656</u>	<u>\$ -</u>	<u>\$ 2,656</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, 2020**

	<u>Successor Agency Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ -	\$ 7,600
Cash and investments - restricted	219,000	-
Accounts receivable	<u>-</u>	<u>703</u>
Total assets	<u>219,000</u>	<u>\$ 8,303</u>
LIABILITIES		
Due to the General Fund	2,621	-
Accounts payable	-	93
Due to other agencies	-	8,210
Interest payable	18,814	-
Loan payable - current	136,711	-
Loan payable - long term	<u>1,516,674</u>	<u>-</u>
Total liabilities	<u>1,674,820</u>	<u>\$ 8,303</u>
NET POSITION		
Net position held in trust for redevelopment dissolution and other purposes	<u>\$ (1,455,820)</u>	

CITY OF FARMERSVILLE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Successor Agency Trust Fund</u>
ADDITIONS	
Property taxes	\$ <u>199,765</u>
Total additions	<u>199,765</u>
DEDUCTIONS	
Debt payment - interest	<u>71,376</u>
Total deductions	<u>71,376</u>
Change in net position	128,389
Net position (deficit) held in trust - beginning	<u>(1,584,209)</u>
Net position (deficit) held in trust - ending	<u>\$ (1,455,820)</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020

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.

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

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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.

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

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

Cash and Cash Equivalents

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

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

Property Tax Calendar

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

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

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

**D. Assets, Liabilities, Deferred Outflows/Inflows 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 \$34,456 for Water utility charges, \$83,311 for Sewer utility charges, and \$27,207 for Refuse utility charges as of June 30, 2020. 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, 2020

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Pensions

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

Unearned Revenue

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

Unavailable Revenue

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

Net Position

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

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net amounts that do not meet the criteria for "restricted" or "net investment in capital assets".

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

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

**D. Assets, Liabilities, Deferred Outflows/Inflows 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, 2020

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, 2020 are classified in the accompanying financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 7,923,956	\$ 3,934,326	\$ 7,600	\$ 11,865,882
Restricted cash and investments	-	2,136,500	219,000	2,355,500
Total cash and investments	<u>\$ 7,923,956</u>	<u>\$ 6,070,826</u>	<u>\$ 226,600</u>	<u>\$ 14,221,382</u>

Cash and investments consist of the following as of June 30, 2020:

Cash on hand	\$ 5,754
Deposits with financial institutions	3,050,312
Investments	<u>11,165,316</u>
Total cash and investments	<u>\$ 14,221,382</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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 Agency Investment Fund	\$ 5,272,932	\$ 5,272,932	\$ -	\$ -	\$ -
CSJVRMA Pool	2,675,391	2,675,391	-	-	-
Money Market	390,767	390,767	-	-	-
Certificates of Deposits	<u>2,826,226</u>	<u>751,173</u>	<u>256,265</u>	<u>1,818,788</u>	<u>-</u>
Total	<u>\$ 11,165,316</u>	<u>\$ 9,090,263</u>	<u>\$ 256,265</u>	<u>\$ 1,818,788</u>	<u>\$ -</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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	Rating as of Year-End	
		Exempt from Disclosure	Not Rated
Local Agency Investment Fund	\$ 5,272,932	\$ -	\$ 5,272,932
CSJVRMA Pool	2,675,391	-	2,675,391
Money Market	390,767	-	390,767
Certificates of Deposits	2,826,226	-	2,826,226
Total	<u>\$ 11,165,316</u>	<u>\$ -</u>	<u>\$ 11,165,316</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, 2020, 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 \$3,050,312 at June 30, 2020. Bank balances were \$4,449,780, 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, 2020

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, 2020, 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, 2020 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

As of June 30, 2020, the City had \$5,272,932 invested in the LAIF, which was reported at fair value.

H. Central San Joaquin Valley Risk Management Authority

The City maintains an investment of \$2,561,490 in the Central San Joaquin Valley Risk Management Authority (CSJVRMA) Pool as of June 30, 2020. The total amount invested by all participants in the pool is \$124,765,107. 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 \$2,675,391 as of June 30, 2020. 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 2.59 years and the average rating is AA/Aa1. The pool consists of 58% Securities of U.S. Government Agencies, 23% U.S. Corporate Obligations and 19% other. The pool complies with the City's investment policy.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020:

<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	<u>\$ 2,826,226</u>	<u>\$ -</u>	<u>\$ 2,826,226</u>	<u>\$ -</u>
<u>Unclassified Investments</u>				
Local Agency Investment Fund	5,272,932			
CSJVRMA Pool	2,675,391			
Money Market Funds	<u>390,767</u>			
	<u>8,339,090</u>			
Total Investments	<u>\$ 11,165,316</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, 2020

NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)

A. Forgivable Loans (Continued)

Nonperforming loans consisted of the following as of June 30, 2020:

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.

208,202

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

1,900,000

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

9,911,223

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 \$ 12,411,740

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – INTERFUND TRANSACTIONS

A. Interfund Loans Receivable and Payable

Interfund loans receivable and payable consisted of the following at June 30, 2020:

	Due	
	From	To
Major Funds:		
General Fund	\$ 94,654	\$ -
Federal and State Grants Special Revenue Fund	-	92,033
Successor Agency Trust Fiduciary Fund	-	2,621
	<u>-</u>	<u>2,621</u>
 Total	 <u>\$ 94,654</u>	 <u>\$ 94,654</u>

The balances totaling \$94,654 due to the General Fund from the Federal and State Grants Special Revenue Fund and the Successor Agency Trust Fiduciary Fund represents short-term borrowing resulting from a temporary need for additional cash. This amount is expected to be repaid shortly after the end of the fiscal year.

B. Transfers in/Transfers Out

The following schedules summarized the City's transfer activity for the year ended June 30, 2020:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 68,000	\$ -
Water Fund	-	34,000
Sewer Fund	-	34,000
	<u>-</u>	<u>34,000</u>
 Total	 <u>\$ 68,000</u>	 <u>\$ 68,000</u>

Transfers were made from the Water and Sewer enterprise funds to the General Fund to cover their share of the costs related to a capital project that was paid for and budgeted out of the General Fund.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for governmental activities for the year ended June 30, 2020 is as follows:

	Balances June 30, 2019	Acquisitions	Dispositions	Balances June 30, 2020
Governmental Activities:				
<i>Nondepreciable assets:</i>				
Land	\$ 1,895,062	\$ -	\$ -	\$ 1,895,062
Infrastructure in progress	<u>1,419,627</u>	<u>1,080,715</u>	<u>(288,777)</u>	<u>2,211,565</u>
Total nondepreciable assets	<u>3,314,689</u>	<u>1,080,715</u>	<u>(288,777)</u>	<u>4,106,627</u>
<i>Depreciable assets:</i>				
Buildings and improvements	6,706,460	116,482	(17,267)	6,805,675
Vehicles, machinery and equipment	2,334,890	449,242	(147,862)	2,636,270
Infrastructure	<u>20,199,536</u>	<u>324,655</u>	<u>(2,514)</u>	<u>20,521,677</u>
Total depreciable assets	<u>29,240,886</u>	<u>890,379</u>	<u>(167,643)</u>	<u>29,963,622</u>
Less accumulated depreciation for:				
Buildings and improvements	2,442,998	214,171	(12,840)	2,644,329
Vehicles, machinery and equipment	1,849,270	147,552	(145,704)	1,851,118
Infrastructure	<u>2,283,050</u>	<u>533,954</u>	<u>(754)</u>	<u>2,816,250</u>
Total accumulated depreciation	<u>6,575,318</u>	<u>895,677</u>	<u>(159,298)</u>	<u>7,311,697</u>
Depreciable assets, net	<u>22,665,568</u>	<u>(5,298)</u>	<u>(8,345)</u>	<u>22,651,925</u>
Government activities capital assets, net	<u>\$ 25,980,257</u>	<u>\$ 1,075,417</u>	<u>\$ (297,122)</u>	<u>\$ 26,758,552</u>

A summary of capital assets activity for business-type activities for the year ended June 30, 2020 is as follows:

	Balances June 30, 2019	Acquisitions	Dispositions	Balances June 30, 2020
Business-Type Activities:				
<i>Nondepreciable assets:</i>				
Land	\$ 953,935	\$ -	\$ -	\$ 953,935
Construction in progress	<u>8,687,555</u>	<u>10,749,385</u>	<u>-</u>	<u>19,436,940</u>
Total nondepreciable assets	<u>9,641,490</u>	<u>10,749,385</u>	<u>-</u>	<u>20,390,875</u>
<i>Depreciable assets:</i>				
Buildings and improvements	152,061	-	(2,600)	149,461
Vehicles, machinery and equipment	1,670,319	68,605	(451,112)	1,287,812
Utility transmission structures	<u>6,465,593</u>	<u>195,836</u>	<u>(315,111)</u>	<u>6,346,318</u>
Total depreciable assets	<u>8,287,973</u>	<u>264,441</u>	<u>(768,823)</u>	<u>7,783,591</u>
Less accumulated depreciation for:				
Buildings and improvements	85,651	4,935	(2,600)	87,986
Vehicles, machinery and equipment	1,274,549	39,673	(435,743)	878,479
Infrastructure	<u>3,241,534</u>	<u>161,435</u>	<u>(312,455)</u>	<u>3,090,514</u>
Total accumulated depreciation	<u>4,601,734</u>	<u>206,043</u>	<u>(750,798)</u>	<u>4,056,979</u>
Depreciable assets, net	<u>3,686,239</u>	<u>58,398</u>	<u>(18,025)</u>	<u>3,726,612</u>
Business-type activities capital assets, net	<u>\$ 13,327,729</u>	<u>\$ 10,807,783</u>	<u>\$ (18,025)</u>	<u>\$ 24,117,487</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:	
Administration	\$ 55,641
Public safety - law enforcement	88,173
Public safety - fire services	19,544
Public safety - animal control	4,104
Street construction and maintenance	478,599
Building, grounds and parks	64,724
Community development	165,685
City properties	19,207
Business-Type Activities:	
Water	101,305
Sewer	<u>104,738</u>
 Total	 <u>\$ 1,101,720</u>

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be report as deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has pension related items that qualify to be report as deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 9.

NOTE 7 – COMPENSATED ABSENCES

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

As shown in the table below, the long-term portion of this debt amounts to \$401,882 for governmental activities and \$107,352 for business-type activities at June 30, 2020. 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, 2020 was \$502,356 for governmental activities and \$134,191 for business-type activities.

	Balances June 30, 2019	Additions	Deletions	Balances June 30, 2019	Due Within One Year
Governmental Activities	<u>\$ 422,833</u>	<u>\$ 244,019</u>	<u>\$ (164,500)</u>	<u>\$ 502,352</u>	<u>\$ 100,470</u>
Business-Type Activities	<u>\$ 103,878</u>	<u>\$ 93,805</u>	<u>\$ (63,492)</u>	<u>\$ 134,191</u>	<u>\$ 26,839</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – LONG-TERM DEBT

Long-term debt reported in the governmental activities at June 30, 2020 was comprised of the following:

Police Vehicle Leases

On June 26, 2017, the City leased three police vehicles from the Municipal Finance Corporation for \$132,000, bearing an interest rate of 2.8% payable quarterly beginning in September 30, 2017, with the final payment due on June 30, 2020. The lease was fully paid and completed during the year ended June 30, 2020. 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.

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 balance of the lease at June 30, 2020 was 133,487. The lease agreement is secured by the leased vehicles and includes a provision whereby in an event of default the City will return the leased vehicles to the lessor.

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<i>Direct Borrowing:</i>					
Police vehicle leases	\$ 45,233	\$ 145,000	\$ (56,746)	\$ 133,487	\$ 47,067
Total governmental activities	\$ 45,233	\$ 145,000	\$ (56,746)	\$ 133,487	\$ 47,067

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

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 47,067	\$ 4,059	\$ 51,126
2022	48,737	2,390	51,127
2023	<u>37,683</u>	<u>661</u>	<u>38,344</u>
Total	\$ <u>133,487</u>	\$ <u>7,110</u>	\$ <u>140,597</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – LONG-TERM DEBT (Continued)

Long-term debt reported in the business-type activities at June 30, 2020 was comprised of the following:

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 \$16,991,591 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 has not been considered in the balance owed as of June 30, 2020. Payments are due annually on September 1 of each year. There is no current portion as repayment of the loan begins September 1, 2021 and future debt service payments will be determined upon completion of the related project.

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 outstanding loan balance as of June 30, 2020 was \$4,858,000. 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:

	(Restated) Balance June 30, 2019	Issued	Retired	Balance June 30, 2020	Due Within One Year
<i>Direct Placement:</i>					
State Water Resources Control Board Loan	\$ 4,887,150	\$ 9,610,031	\$ -	\$ 14,497,181	\$ -
Certificates of Participation	<u>4,260,736</u>	<u>669,264</u>	<u>(72,000)</u>	<u>4,858,000</u>	<u>74,000</u>
Total business-type activities	<u>\$ 9,147,886</u>	<u>\$ 10,279,295</u>	<u>\$ (72,000)</u>	<u>\$ 19,355,181</u>	<u>\$ 74,000</u>

CITY OF FARMERSVILLE

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – LONG-TERM DEBT (Continued)

Certificates of Participation (Continued)

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

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 74,000	\$ 133,595	\$ 207,595
2022	76,000	131,560	207,560
2023	78,000	129,470	207,470
2024	80,000	127,674	207,674
2025	83,000	125,125	208,125
2026-2030	449,000	590,529	1,039,529
2031-2035	513,000	525,298	1,038,298
2036-2040	588,000	450,998	1,038,998
2041-2045	673,000	365,280	1,038,280
2046-2050	771,000	267,447	1,038,447
2051-2055	883,000	155,263	1,038,263
2056-2058	<u>590,000</u>	<u>32,797</u>	<u>622,797</u>
Total	<u>\$ 4,858,000</u>	<u>\$ 3,035,036</u>	<u>\$ 7,893,036</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – PENSION PLAN

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Farmersville’s (City) sponsors 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, 2020 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%	6.25%
Required employer contribution rates	8.081%	6.985%
	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%	9.5%
Required employer contribution rates	13.540%	10.216%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$100,000 for the fiscal year ended June 30, 2020.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. 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, 2020 were \$285,899.

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

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,388,131.

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, 2019, 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, 2018, rolled forward to June 30, 2019, 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, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.0136%
Proportion - June 30, 2019	0.0135%
Change - Increase (Decrease)	-0.0001%

For the year ended June 30, 2020, the City recognized a pension expense of \$500,059. At June 30, 2020, 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	\$ 295,827	\$ -
Changes of Assumptions	61,419	17,117
Differences between actual and expected experience	92,019	2,209
Net differences between projected and actual earnings on plan investments	-	21,613
Change in employer's proportion	93,622	21,301
Differences between the employer's actual contributions and the employer's proportionate share of contributions	51,704	10,952
Total	<u>\$ 594,591</u>	<u>\$ 73,192</u>

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – PENSION PLAN (Continued)

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

\$295,287 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, 2021. 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		
2021	\$	178,002
2022		15,496
2023		27,785
2024		4,289
2025		-
Therafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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⁾
Mortality	Derived using CalPERS' 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, 2020

NOTE 9 – PENSION PLAN (Continued)

D. Discount Rate

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

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

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

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

<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>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

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

^(b) An expected inflation of 2.00% 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, 2020

NOTE 9 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 2,458,142	\$ 1,388,131	\$ 507,950

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, 2020.

NOTE 10 – RISK MANAGEMENT

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

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

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

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

The Central San Joaquin Valley Risk Management Authority is a consortium of fifty-four (54) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. Seq. The Central San Joaquin Valley Risk Management Authority is governed by a Board of Directors, which meets three times per year, and consists of one member appointed by each member city. A management group employed by CSJVRMA handles the day-to-day business.

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2020, is presented as follows:

Total assets	\$ 140,373,479
Total liabilities	<u>120,609,137</u>
Total net position	<u>\$ 19,764,342</u>
Revenues	\$ 58,244,856
Expenses	<u>57,261,330</u>
Change in net position	<u>\$ 983,526</u>

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

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

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, the State of California has issued Stay At Home Orders which include the temporary closure of all businesses deemed to be nonessential. The most recent Regional Stay At Home Order, effective December 7, 2020 for Tulare County, requires individuals living in the San Joaquin Valley Region to stay at home, except as allowed, to maintain continuity of the federal critical infrastructure sectors. Accordingly, some functions of the City's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

NOTE 12 – SUCCESSOR AGENCY TRUST FUND

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

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

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

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

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)

A. Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2020 was comprised of the following:

	Balance June 30, 2019	Issued	Retired	Balance June 30, 2020	Due Within One Year	Than One Year
USDA Loan	\$ 1,784,395	\$ -	\$ (131,010)	\$ 1,653,385	\$ 136,711	\$ 1,516,674
Total long-term debt	\$ 1,784,395	\$ -	\$ (131,010)	\$ 1,653,385	\$ 136,711	\$ 1,516,674

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, 2020 was \$1,653,385. 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
2021	\$ 136,711	\$ 66,135	\$ 202,846
2022	142,641	60,667	203,308
2023	148,809	54,961	203,770
2024	155,222	49,009	204,231
2025	161,893	42,800	204,693
2026-2030	<u>908,109</u>	<u>111,146</u>	<u>1,019,255</u>
Total	<u>\$ 1,653,385</u>	<u>\$ 384,718</u>	<u>\$ 2,038,103</u>

NOTE 13 – DEFICIT FUND BALANCE

The following funds contained a deficit fund balance or net position as of June 30, 2020. Future revenues or transfers from other funds are expected to offset these deficits.

Governmental Funds

Federal and State Grants Special Revenue Fund \$ 59,830

CITY OF FARMERSVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the current fiscal year management became aware that the cash receipts generated from the Capitalization Grants for Clean Water State Revolving Funds which were recognized in the prior year should have been capitalized as debt until the related project (Wastewater Treatment Plan) was noted as completed, at which point the debt balance would be forgiven. Accordingly, the City has recorded a prior period adjustment in the Sewer Fund for \$4,887,150.

Also, in the current fiscal year, management determined that customer deposits held in the water fund were not properly recognized as revenue when the criteria for recognizing revenue was met, and customers no longer had a claim to the related deposits. The City has recorded a prior period adjustment in the Water Fund for \$67,592 for an understatement of revenues in previous periods.

A summary of the original net position and effects of the correction are noted below.

	<u>Government-Wide</u> <u>Business-Type</u> <u>Activities</u>	<u>Enterprise Funds</u>	
		<u>Water Fund</u>	<u>Sewer Fund</u>
Net position, June 30, 2019, as previously reported	\$ 18,211,239	\$ 3,208,753	\$ 14,683,658
Prior period adjustments:			
Understatement of long-term debt	(4,887,150)	-	(4,887,150)
Understatement of revenue	<u>67,592</u>	<u>67,592</u>	<u>-</u>
Total prior period adjustments	<u>(4,819,558)</u>	<u>67,592</u>	<u>(4,887,150)</u>
Net position, July 1, 2019, as restated	<u>\$ 13,391,681</u>	<u>\$ 3,276,345</u>	<u>\$ 9,796,508</u>

NOTE 15 – FUND CONSOLIDATION AND RECLASSIFICATION

A. Customer Deposits Fund

During the current fiscal year, management determined that the Customer Deposit Fund was previously incorrectly classified as an agency fund. Rather, due to the nature of the activity of this fund and the relation of these deposits to the City's water billings, it would be more appropriately classified with the Water Fund. Accordingly, all assets and liabilities in this fund are now being reported in the City's Water Fund. There was no effect to net position of both the Water Fund and Agency Fund as a result of this adjustment as the balances within the Customer Deposit Fund represent cash holdings owed to customers, and a corresponding liability for the same amount.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property taxes	\$ 1,406,708	\$ 1,389,834	\$ 1,422,050	\$ 32,216
Sales taxes	1,409,540	1,445,300	1,774,721	329,421
Cannabis taxes	150,000	420,000	691,919	271,919
Other taxes	147,000	147,000	169,792	22,792
Licenses and permits	110,500	110,500	72,866	(37,634)
Charges for services	329,062	329,062	230,904	(98,158)
Intergovernmental	35,000	55,000	39,003	(15,997)
Fines and penalties	23,500	23,500	20,191	(3,309)
Investment income	20,649	20,649	220,571	199,922
Rent	186,055	186,055	184,422	(1,633)
Miscellaneous revenue	<u>18,920</u>	<u>18,920</u>	<u>49,279</u>	<u>30,359</u>
Total revenues	<u>3,836,934</u>	<u>4,145,820</u>	<u>4,875,718</u>	<u>729,898</u>
EXPENDITURES				
Current:				
City council	15,000	15,000	7,962	7,038
Administration	423,089	503,442	490,876	12,566
City properties	54,364	58,364	41,659	16,705
Public safety:				
Law enforcement	2,097,726	1,981,061	2,048,158	(67,097)
Fire services	488,165	460,935	378,415	82,520
Animal control	73,865	73,865	75,093	(1,228)
Buildings, grounds and parks	207,246	216,942	241,330	(24,388)
Community development	223,321	335,166	298,777	36,389
Capital outlay	292,936	295,965	421,822	(125,857)
Debt service:				
Principal	-	-	37,326	(37,326)
Interest	<u>-</u>	<u>-</u>	<u>80</u>	<u>(80)</u>
Total expenditures	<u>3,875,712</u>	<u>3,940,740</u>	<u>4,041,498</u>	<u>(100,758)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,778)</u>	<u>205,080</u>	<u>834,220</u>	<u>629,140</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease	-	-	145,000	145,000
Transfers in	283,436	286,456	68,000	(218,456)
Transfers out	<u>(283,436)</u>	<u>(286,456)</u>	<u>-</u>	<u>286,456</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>213,000</u>	<u>213,000</u>
Net change in fund balance	(38,778)	205,080	1,047,220	842,140
Fund balances - beginning	<u>2,300,398</u>	<u>2,300,398</u>	<u>2,300,398</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,261,620</u>	<u>\$ 2,505,478</u>	<u>\$ 3,347,618</u>	<u>\$ 842,140</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	<u>\$ 1,094,000</u>	<u>\$ 1,094,000</u>	<u>\$ 468,273</u>	<u>\$ (625,727)</u>
Total revenues	<u>1,094,000</u>	<u>1,094,000</u>	<u>468,273</u>	<u>(625,727)</u>
EXPENDITURES				
Current:				
Community development	<u>1,094,000</u>	<u>1,094,000</u>	<u>535,814</u>	<u>558,186</u>
Total expenditures	<u>1,094,000</u>	<u>1,094,000</u>	<u>535,814</u>	<u>558,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(67,541)</u>	<u>(67,541)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(67,541)</u>	<u>(67,541)</u>
Fund balances - beginning	<u>7,711</u>	<u>7,711</u>	<u>7,711</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,711</u>	<u>\$ 7,711</u>	<u>\$ (59,830)</u>	<u>\$ (67,541)</u>

CITY OF FARMERSVILLE

**BUDGETARY COMPARISON SCHEDULE
STREET TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 5,705,015	\$ 3,963,892	\$ 1,879,549	\$ (2,084,343)
Investment income	61,370	61,370	61,232	(138)
Miscellaneous revenue	<u>12,904</u>	<u>12,769</u>	<u>12,769</u>	<u>-</u>
Total revenues	<u>5,779,289</u>	<u>4,038,031</u>	<u>1,953,550</u>	<u>(2,084,481)</u>
EXPENDITURES				
Current:				
Street construction and maintenance	685,025	696,247	279,456	416,791
Capital outlay	<u>5,029,029</u>	<u>2,723,429</u>	<u>956,985</u>	<u>1,766,444</u>
Total expenditures	<u>5,714,054</u>	<u>3,419,676</u>	<u>1,236,441</u>	<u>2,183,235</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,235</u>	<u>618,355</u>	<u>717,109</u>	<u>98,754</u>
Net change in fund balance	65,235	618,355	717,109	98,754
Fund balances - beginning	<u>4,144,223</u>	<u>4,144,223</u>	<u>4,144,223</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,209,458</u>	<u>\$ 4,762,578</u>	<u>\$ 4,861,332</u>	<u>\$ 98,754</u>

CITY OF FARMERSVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

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, 2020, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Current:			
Public safety:			
Law enforcement	\$ 1,981,061	\$ 2,048,158	\$ (67,097)
Animal control	73,865	75,093	(1,228)
Buildings, grounds and parks	216,942	241,330	(24,388)
Capital outlay	295,965	421,822	(125,857)
Debt service:			
Principal	-	37,326	(37,326)
Interest	-	80	(80)

CITY OF FARMERSVILLE

**PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020
LAST 10 YEARS***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Proportion of the net pension liability	0.0174%	0.0131%	0.0139%	0.0141%	0.0136%	0.0135%
Proportionate share of the net pension liability	\$ 1,089,879	\$ 895,761	\$ 1,202,578	\$ 1,394,031	\$ 1,308,300	\$ 1,388,131
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060	\$ 1,709,690	\$ 1,869,089
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%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	82.38%	79.05%	79.56%	82.53%	82.38%

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, 2020
LAST 10 YEARS*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 205,326	\$ 254,448	\$ 264,521	\$ 281,161	\$ 282,522	\$ 285,899	\$ 295,827
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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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
Contributions as a percentage of covered payroll	15.31%	15.54%	13.94%	14.81%	16.52%	15.30%	16.38%

*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, 2020

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 764,229	\$ 152,933	\$ 917,162
Receivables (net of allowance for uncollectibles):			
Intergovernmental receivables	<u>6,477</u>	<u>-</u>	<u>6,477</u>
Total assets	<u>\$ 770,706</u>	<u>\$ 152,933</u>	<u>\$ 923,639</u>
LIABILITIES			
Accounts payable	\$ 12,516	\$ -	\$ 12,516
Salaries and benefits payable	2,187	-	2,187
Unearned revenue	<u>13,754</u>	<u>-</u>	<u>13,754</u>
Total liabilities	<u>28,457</u>	<u>-</u>	<u>28,457</u>
FUND BALANCES			
Restricted for:			
Public safety	243,721	-	243,721
Community development	163,210	-	163,210
Capital maintenance	339,699	152,933	492,632
Unassigned	<u>(4,381)</u>	<u>-</u>	<u>(4,381)</u>
Total fund balances	<u>742,249</u>	<u>152,933</u>	<u>895,182</u>
Total liabilities and fund balances	<u>\$ 770,706</u>	<u>\$ 152,933</u>	<u>\$ 923,639</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Developer fees	\$ 7,989	\$ 2,148	\$ 10,137
Charges for services	62,830	-	62,830
Intergovernmental	341,632	-	341,632
Fines and penalties	2,917	-	2,917
Investment income	<u>11,417</u>	<u>2,167</u>	<u>13,584</u>
Total revenues	<u>426,785</u>	<u>4,315</u>	<u>431,100</u>
EXPENDITURES			
Current:			
Public safety:			
Law enforcement	227,052	-	227,052
Buildings, grounds and parks	42,370	-	42,370
Street construction and maintenance	112,725	-	112,725
Community development	103,970	-	103,970
Capital outlay	35,710	-	35,710
Debt service:			
Principal	<u>19,420</u>	<u>-</u>	<u>19,420</u>
Total expenditures	<u>541,247</u>	<u>-</u>	<u>541,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,462)</u>	<u>4,315</u>	<u>(110,147)</u>
Net changes in fund balances	(114,462)	4,315	(110,147)
Fund balances - beginning	<u>856,711</u>	<u>148,618</u>	<u>1,005,329</u>
Fund balances - ending	<u>\$ 742,249</u>	<u>\$ 152,933</u>	<u>\$ 895,182</u>

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	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	\$ 7,202	\$ 20,311	\$ 314,545	\$ 16,962	\$ 239,232	\$ 2,767	\$ 3,527	\$ 123,299	\$ 36,384	\$ 764,229
Intergovernmental receivables	<u>2,962</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>3,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,477</u>
Total assets	<u>\$ 10,164</u>	<u>\$ 20,781</u>	<u>\$ 314,545</u>	<u>\$ 16,962</u>	<u>\$ 242,277</u>	<u>\$ 2,767</u>	<u>\$ 3,527</u>	<u>\$ 123,299</u>	<u>\$ 36,384</u>	<u>\$ 770,706</u>
LIABILITIES										
Accounts payable	\$ 689	\$ 4,238	\$ -	\$ 7,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,516
Salaries and benefits payable	-	864	-	-	1,323	-	-	-	-	2,187
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,754</u>
Total liabilities	<u>689</u>	<u>5,102</u>	<u>-</u>	<u>21,343</u>	<u>1,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,457</u>
FUND BALANCES										
Restricted for:										
Public safety	-	-	-	-	240,954	2,767	-	-	-	243,721
Community development	-	-	-	-	-	-	3,527	123,299	36,384	163,210
Capital maintenance	9,475	15,679	314,545	-	-	-	-	-	-	339,699
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,381)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,381)</u>
Total fund balances	<u>9,475</u>	<u>15,679</u>	<u>314,545</u>	<u>(4,381)</u>	<u>240,954</u>	<u>2,767</u>	<u>3,527</u>	<u>123,299</u>	<u>36,384</u>	<u>742,249</u>
Total liabilities and fund balances	<u>\$ 10,164</u>	<u>\$ 20,781</u>	<u>\$ 314,545</u>	<u>\$ 16,962</u>	<u>\$ 242,277</u>	<u>\$ 2,767</u>	<u>\$ 3,527</u>	<u>\$ 123,299</u>	<u>\$ 36,384</u>	<u>\$ 770,706</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	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	\$ 472	\$ -	\$ 7,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,989
Charges for services	-	62,830	-	-	-	-	-	-	-	62,830
Intergovernmental	27,578	-	-	-	155,948	-	17,525	100,581	40,000	341,632
Fines and penalties	-	-	-	2,917	-	-	-	-	-	2,917
Investment income	263	461	5,060	292	3,682	40	-	1,258	361	11,417
Total revenues	<u>28,313</u>	<u>63,291</u>	<u>12,577</u>	<u>3,209</u>	<u>159,630</u>	<u>40</u>	<u>17,525</u>	<u>101,839</u>	<u>40,361</u>	<u>426,785</u>
EXPENDITURES										
Current:										
Law enforcement	-	-	64,857	16,671	145,524	-	-	-	-	227,052
Buildings, grounds and parks	42,370	-	-	-	-	-	-	-	-	42,370
Street construction and maintenance	-	112,725	-	-	-	-	-	-	-	112,725
Community development	-	-	-	-	-	-	43,770	46,316	13,884	103,970
Capital outlay	19,322	13,179	-	3,209	-	-	-	-	-	35,710
Debt service:										
Principal	-	-	-	-	19,420	-	-	-	-	19,420
Total expenditures	<u>61,692</u>	<u>125,904</u>	<u>64,857</u>	<u>19,880</u>	<u>164,944</u>	<u>-</u>	<u>43,770</u>	<u>46,316</u>	<u>13,884</u>	<u>541,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,379)</u>	<u>(62,613)</u>	<u>(52,280)</u>	<u>(16,671)</u>	<u>(5,314)</u>	<u>40</u>	<u>(26,245)</u>	<u>55,523</u>	<u>26,477</u>	<u>(114,462)</u>
Net changes in fund balances	(33,379)	(62,613)	(52,280)	(16,671)	(5,314)	40	(26,245)	55,523	26,477	(114,462)
Fund balances - beginning	<u>42,854</u>	<u>78,292</u>	<u>366,825</u>	<u>12,290</u>	<u>246,268</u>	<u>2,727</u>	<u>29,772</u>	<u>67,776</u>	<u>9,907</u>	<u>856,711</u>
Fund balances - ending	<u>\$ 9,475</u>	<u>\$ 15,679</u>	<u>\$ 314,545</u>	<u>\$ (4,381)</u>	<u>\$ 240,954</u>	<u>\$ 2,767</u>	<u>\$ 3,527</u>	<u>\$ 123,299</u>	<u>\$ 36,384</u>	<u>\$ 742,249</u>

CITY OF FARMERSVILLE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2020

	<u>Storm Drain Development Fund</u>
ASSETS	
Cash and investments	<u>\$ 152,933</u>
Total assets	<u>\$ 152,933</u>
 FUND BALANCES	
Restricted for:	
Capital maintenance	<u>\$ 152,933</u>
Total fund balances	<u>152,933</u>
Total fund balances	<u><u>\$ 152,933</u></u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Storm Drain Development Fund</u>
REVENUES	
Developer fees	\$ 2,148
Investment income	<u>2,167</u>
Total revenues	<u>4,315</u>
EXPENDITURES	
Current:	
Street construction and maintenance	<u>-</u>
Total expenditures	<u>-</u>
Net change in fund balance	4,315
Fund balance - beginning	<u>148,618</u>
Fund balance - ending	<u><u>\$ 152,933</u></u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2020**

	<u>PD Hold Unadjudicated Evidence</u>	<u>Live Scan</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 11,365	\$ (3,765)	\$ 7,600
Accounts receivable	<u>-</u>	<u>703</u>	<u>703</u>
Total Assets	<u>\$ 11,365</u>	<u>\$ (3,062)</u>	<u>\$ 8,303</u>
LIABILITIES			
Accounts payable	-	93	93
Due to other agencies	<u>11,365</u>	<u>(3,155)</u>	<u>8,210</u>
Total Liabilities	<u>\$ 11,365</u>	<u>\$ (3,062)</u>	<u>\$ 8,303</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2020
(Continued)**

	PD Hold Unadjudicated Evidence			Balance June 30, 2020
	Balance June 30, 2019	Additions	Deductions	
ASSETS				
Cash and investments	\$ 11,202	\$ 163	\$ -	\$ 11,365
Total assets	<u>\$ 11,202</u>	<u>\$ 163</u>	<u>\$ -</u>	<u>\$ 11,365</u>
LIABILITIES				
Due to other agencies	\$ 11,202	\$ 163	\$ -	\$ 11,365
Total liabilities	<u>\$ 11,202</u>	<u>\$ 163</u>	<u>\$ -</u>	<u>\$ 11,365</u>

	Live Scan			Balance June 30, 2020
	Balance June 30, 2019	Additions	Deductions	
ASSETS				
Cash and investments	\$ (3,229)	\$ 1,085	\$ (1,621)	\$ (3,765)
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ (2,526)</u>	<u>\$ 1,085</u>	<u>\$ (1,621)</u>	<u>\$ (3,062)</u>
LIABILITIES				
Accounts payable	\$ 240	\$ 1,714	\$ (1,861)	\$ 93
Due to other agencies	<u>(2,766)</u>	<u>1,325</u>	<u>(1,714)</u>	<u>(3,155)</u>
Total liabilities	<u>\$ (2,526)</u>	<u>\$ 3,039</u>	<u>\$ (3,575)</u>	<u>\$ (3,062)</u>

CITY OF FARMERSVILLE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2020
(Continued)**

	Total			
	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and investments	\$ 7,973	\$ 1,248	\$ (1,621)	\$ 7,600
Accounts receivable	<u>703</u>	<u>-</u>	<u>-</u>	<u>703</u>
Total assets	<u>\$ 8,676</u>	<u>\$ 1,248</u>	<u>\$ (1,621)</u>	<u>\$ 8,303</u>
LIABILITIES				
Accounts payable	\$ 240	\$ 1,714	\$ (1,861)	\$ 93
Due to other agencies	<u>8,436</u>	<u>1,488</u>	<u>(1,714)</u>	<u>8,210</u>
Total liabilities	<u>\$ 8,676</u>	<u>\$ 3,202</u>	<u>\$ (3,575)</u>	<u>\$ 8,303</u>