

**CITY OF FARMERSVILLE  
CALIFORNIA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**CITY OF FARMERSVILLE  
JUNE 30, 2021**

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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, 2021, 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 entity'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 entity'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.

570 N. Magnolia Avenue, Suite 100  
Clovis, CA 93611

tel 559.299.9540

fax 559.299.2344

## **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, as of June 30, 2021, 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 3–18 budgetary comparison information on pages 60–62, proportionate share of net pension liability on page 64 and schedule of contributions on page 65 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.

### *Other 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2022, on our consideration of the City of Farmersville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
February 3, 2022

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

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, 2021. 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 \$58,592,069 (net position). Of this amount, \$11,345,846 (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 \$6,035,365 from the prior fiscal year. Governmental activities increased the City's total net position by \$5,275,011 and business-type activities increased by \$760,354.

While the major changes for the fiscal year ended June 30, 2021 are due to fluctuations on both the expense and revenues sides of the equation, the City is, like the previous years, subject to impact of the timing of both the expenses and reimbursement of several large projects while operations remain largely the same. The fiscal year ended June 30, 2021 increases in activities are dominated by more street construction and maintenance, sales tax revenue, and cannabis business tax revenue (Measure Q).

Total Governmental Activities in the prior two fiscal years remained elevated at \$2,942,355 (2019), and \$2,627,418 (2020) expenses exceeding program revenues. In the fiscal year ended June 30, 2021, however, this figure is only \$907,771 because delayed reimbursement for capital grants and contributions were finally received and offset what would be a relatively normal amounts of expenditures, considering the projects underway the last several years.

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

The operations of the City remain largely unchanged with the exception of cost increases in the Police, Fire, and some Administration Department costs compared to the prior year. The Police Department remains the largest of the operational costs of the City (about 40% of all Governmental expenses) at a net expense of \$1,948,192 after program revenues are applied.

Concurrently, the City also received more revenues in the fiscal year ended June 30, 2021 than in prior years. The City continues to experience volatile swings in sales tax revenue growth, upon which it is dependent for supporting ongoing operations of essential services with fixed costs. This is a difficult figure to forecast and more difficult to ensure that they are sufficient for ongoing operations year after year.

For example, the City experienced a 17% increase in sales tax in the fiscal year ended June 30, 2020 when all forecasts showed that the City, like many other government agencies in California, anticipated no growth or a decrease in tax revenue. In the fiscal year ended June 30, 2021, the City experienced a 56% increase in sales tax growth when all forecasts showed slowed or minimal growth for the period.

While it is possible to conclude that this impressive amount of growth means that Farmersville is healthier than its neighbors it must also be considered that these significant changes are primarily driven by a small handful of businesses in a very small tax base. Additionally, a small change in legislation, market share, business ownership, or supply chain delays, could dramatically change the revenue generated from them. So, as a percentage, the growth appears weighty, yet as an overall dollar amount, while the increases are helpful they are not substantial enough to result in large operational changes for the City. The table below illustrates these changes:

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

Changes in Largest General Governmental Revenues:			
Type	2019	2020	2021
Property Tax	1,369,636.00	1,434,714.00	1,509,127.00
Sales Tax	1,522,607.00	1,774,721.00	2,770,742.00
Cannabis Tax	-	691,919.00	1,451,278.00
Type	2019	2020	2021
Property Tax	-1%	5%	5%
Sales Tax	35%	17%	56%
Cannabis Tax		100%	110%

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

It is also worthy of note that the fiscal year ended June 30, 2021 concluded the first full year of tax receipts from the new cannabis businesses located in Farmersville. These businesses, not only have an impact through Measure Q Cannabis Business Taxes but also through sales tax revenues of which these businesses are also subject to. Measure Q revenues totaled \$1,451,278 for the year of which \$716,021 was spent to improve services in six different departments by supporting vehicle purchases, new public safety positions, equipment, various projects and other services. The remainder of the funds were reserved for future projects detailed out in the Capital Improvement Plan as part of the City's budget document available on the City website. More detail is also available about the expenditures in the Annual Measure Q Report available on the City website.

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

This Measure Q revenue source remains precarious with legal and regulatory changes from the State that are frequent and significant. Simultaneously, 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 enjoys without major local competition or disruption. However, increased demand and growth was expected, realized, and continues to be projected in the near-term.

Finally, the City completed the construction phase but is still working on finalizing the financing situation with the new Wastewater Treatment Plant. The City had a combination of funding sources from USDA Certificate of Participation (debt), and funding from the State Revolving Fund (an amalgamation of Federal and State funding sources) through the California Department of Water Resources. These project funding vehicles were a combination of loan, grant, loan-forgiveness, and City matching funds.

The last portion of funding from USDA was spent and reimbursed in the fiscal year ended June 30, 2020 and the tail-end of the project was primarily funded from the State Revolving Fund. Debt payments have already begun to USDA and will continue until 2058. The debt service has yet to begin to the State as it is only required after the project finances are settled and after a year after operation of the plant begins. The debt service will be finalized in a future period but will likely continue until 2051.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

At June 30, 2021, the City's governmental funds reported combined ending fund balances of \$11,296,463 an increase of \$2,168,293 in comparison with the prior year. Changes in several categories affected the combined fund balance of the City in the fiscal year ended June 30, 2021. 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 increasing cash and investments of the City. Other changes were related to the Street Tax Special Revenue Fund. This Fund contains several different funding sources applied to multiple road improvement projects currently underway or recently. As those projects advance, they are each in a different phase of spending and reimbursement. Miscellaneous adjustments, reclassifications, and delay in grant reimbursements in these governmental funds account the bulk of this net increase outside of the General Fund. More specific data regarding these balances can be seen on the Balance Sheet – Governmental Funds on page 24 of this report.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,745,820. This represents a \$1,799,202 increase to the unassigned fund balance of \$2,946,618 reported at June 30, 2020. Compared to the prior year, the fiscal year ended June 30, 2021 finished significantly higher. The unassigned fund balance is a direct result of the increased sales tax revenues, new revenues received in the year, and increased reserves. The unassigned fund balance is critical to the health of the City to plan for future economic uncertainty and also to fund ongoing Capital Improvements and other deferred maintenance items. This change represents a 61% increase to this asset balance. Within the unassigned balance listed on Balance Sheet on page 24 are funds reserved by policy and reserved for specific one-times uses but are lumped together in compliance with GASB 54 financial statement standards.

The first reserved portion of the unassigned balance is the General Fund Reserve and is approximately \$1,439,869 as of June 30, 2021. As noted on page 39 (in Note 1 to the financial statements) the City's budget and fiscal policy requires that the City to maintain General Fund operating cash balance equal to approximately 25% of the 3-year moving average of the actual revenue received. This balance meets that policy requirement and is held in a separate fund, 102.

Additionally, the second reserved portion of the unassigned balance which is reserved for one-time budgeted expenses is the Measure Q Cannabis Business Tax Fund and is approximately \$1,065,026 as of June 30, 2021. Each year, the City Council approves the budget and the 5-year Capital Improvement Plan to transparently spend these funds on appropriate projects, equipment, and services. This balance is held in reserve for these purposes in a separate fund, 104.

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

The City's total long-term debt (payable after 1 year) of \$20,383,100 changed by \$1,130,242 compared to last year (Statement of Net Position, p.21). The City's long-term debt is made up of compensated absences (amounts owed to employees as vacation or sick time), loans payable (debt to pay for the wastewater treatment plant), capital leases payable (ongoing police vehicle purchase program), and net pension liability (amount owed to CalPERS for pension costs for current and former employees). While this dollar amount is significant, the City has reduced compensated absence debt by policy through capping vacation accruals. It has also reduced capital leases payable by securing competitive funding and buying assets with cash when appropriate. It has also reduced net pension liability principal debt by making routine Additional Discretionary Payments (ADPs) toward the Unfunded Accrued Liability (UAL) with CalPERS.

However, this debt is dominated by the portion owed on the wastewater treatment plant asset - \$17,999,780 as of June 30, 2021. This debt is currently the best deal for the City as it is paired with \$2,224,189 in loan forgiveness and \$3,775,811 in grant funds that would otherwise make this debt burden, and associated debt service, very difficult. The long-term liability related to the Wastewater Treatment Plant Expansion project is two separate debt instruments for 30 and 40 years respectively.

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

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements can be found on pages 20 through 21 of this report.

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

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

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

The City maintains 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.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

*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.

**Notes to the basic financial statements.** The notes provide additional information that is essential to fully understand of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 through 58 of this report.

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

Required supplementary information can be found on pages 60 through 65 of this report.

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 68 through 73.

**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 \$58,592,069 at June 30, 2021.

**Condensed Statement of Net Position  
June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 12,483,573	\$ 9,487,087	\$ 10,736,074	\$ 12,006,944	\$ 23,219,647	\$ 21,494,031
Capital assets	29,902,095	26,758,552	28,110,656	24,117,487	58,012,751	50,876,039
Total assets	<u>42,385,668</u>	<u>36,245,639</u>	<u>38,846,730</u>	<u>36,124,431</u>	<u>81,232,398</u>	<u>72,370,070</u>
Deferred outflows of resources	601,900	461,416	135,238	133,175	737,138	594,591
Current liabilities	1,187,110	357,054	1,741,393	2,238,317	2,928,503	2,595,371
Long-term liabilities outstanding	1,790,351	1,613,478	18,592,749	19,899,864	20,383,100	21,513,342
Total liabilities	<u>2,977,461</u>	<u>1,970,532</u>	<u>20,334,142</u>	<u>22,138,181</u>	<u>23,311,603</u>	<u>24,108,713</u>
Deferred inflows of resources	25,051	24,615	40,813	48,577	65,864	73,192
Net position:						
Net investment in capital assets	29,815,675	26,625,065	9,174,725	4,762,306	38,990,400	31,387,371
Restricted	6,092,108	5,846,626	2,163,715	2,332,336	8,255,823	8,178,962
Unrestricted	4,077,273	2,240,217	7,268,573	6,976,206	11,345,846	9,216,423
Total net position	<u>\$ 39,985,056</u>	<u>\$ 34,711,908</u>	<u>\$ 18,607,013</u>	<u>\$ 14,070,848</u>	<u>\$ 58,592,069</u>	<u>\$ 48,782,756</u>

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

The largest portion of the City's net position, \$38,990,400 (67%) 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 \$11,345,846 (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 \$8,255,823 (14%) represents resources that are subject to external restrictions on their use.

The net position of Governmental Activities increased by \$5,273,148, accounting for 54% of the total increase in the net position of the City of Farmersville as compared to the prior fiscal year.

**Condensed Statement of Activities  
For the Years Ended June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 520,089	\$ 387,263	\$ 3,899,828	\$ 3,812,705	\$ 4,419,917	\$ 4,199,968
Operating grants and contributions	1,299,227	776,412	-	624	1,299,227	777,036
Capital grants and contributions	3,419,968	1,548,221	16,267	15,782	3,436,235	1,564,003
General revenues:						
Property taxes	1,509,127	1,434,714	-	-	1,509,127	1,434,714
Sales taxes	2,770,742	1,774,721	-	-	2,770,742	1,774,721
Cannabis taxes	1,451,278	691,919	-	-	1,451,278	691,919
Franchise taxes	163,836	150,109	-	-	163,836	150,109
Other taxes	10,021	7,019	-	-	10,021	7,019
Motor vehicle in-lieu	-	-	-	-	-	-
Rental income	218,408	184,422	-	-	218,408	184,422
Earning on investments	-	298,387	64,368	107,249	64,368	405,636
Miscellaneous	59,370	96,756	-	870	59,370	97,626
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	<u>11,422,066</u>	<u>7,349,943</u>	<u>3,980,463</u>	<u>3,937,230</u>	<u>15,402,529</u>	<u>11,287,173</u>
Expenses:						
City council	4,452	7,962	-	-	4,452	7,962
Administration	560,032	457,722	-	-	560,032	457,722
City properties	67,209	60,866	-	-	67,209	60,866
Public safety:						
Law enforcement	2,480,446	2,251,119	-	-	2,480,446	2,251,119
Fire services	487,306	382,638	-	-	487,306	382,638
Animal control	78,370	75,800	-	-	78,370	75,800
Buildings, grounds and parks	743,610	359,395	-	-	743,610	359,395
Street construction and maintenance	1,123,550	824,833	-	-	1,123,550	824,833
Community development	410,601	484,901	-	-	410,601	484,901
Capital outlay	187,420	432,015	-	-	187,420	432,015
Interest and fiscal charges	4,059	2,063	-	-	4,059	2,063
Water	-	-	1,053,654	1,138,171	1,053,654	1,138,171
Sewer	-	-	1,340,108	1,181,472	1,340,108	1,181,472
Refuse	-	-	826,347	870,420	826,347	870,420
Total expenses	<u>6,147,055</u>	<u>5,339,314</u>	<u>3,220,109</u>	<u>3,190,063</u>	<u>9,367,164</u>	<u>8,529,377</u>
Change in net position before transfers and extraordinary item	5,275,011	2,010,629	760,354	747,167	6,035,365	2,757,796
Transfers	-	68,000	-	(68,000)	-	-
Change in net position	5,275,011	2,078,629	760,354	679,167	6,035,365	2,757,796
Net position - beginning (restated)	<u>34,710,045</u>	<u>32,633,279</u>	<u>17,846,659</u>	<u>13,391,681</u>	<u>52,556,704</u>	<u>46,024,960</u>
Net position - ending	<u>\$ 39,985,056</u>	<u>\$ 34,711,908</u>	<u>\$ 18,607,013</u>	<u>\$ 14,070,848</u>	<u>\$ 58,592,069</u>	<u>\$ 48,782,756</u>

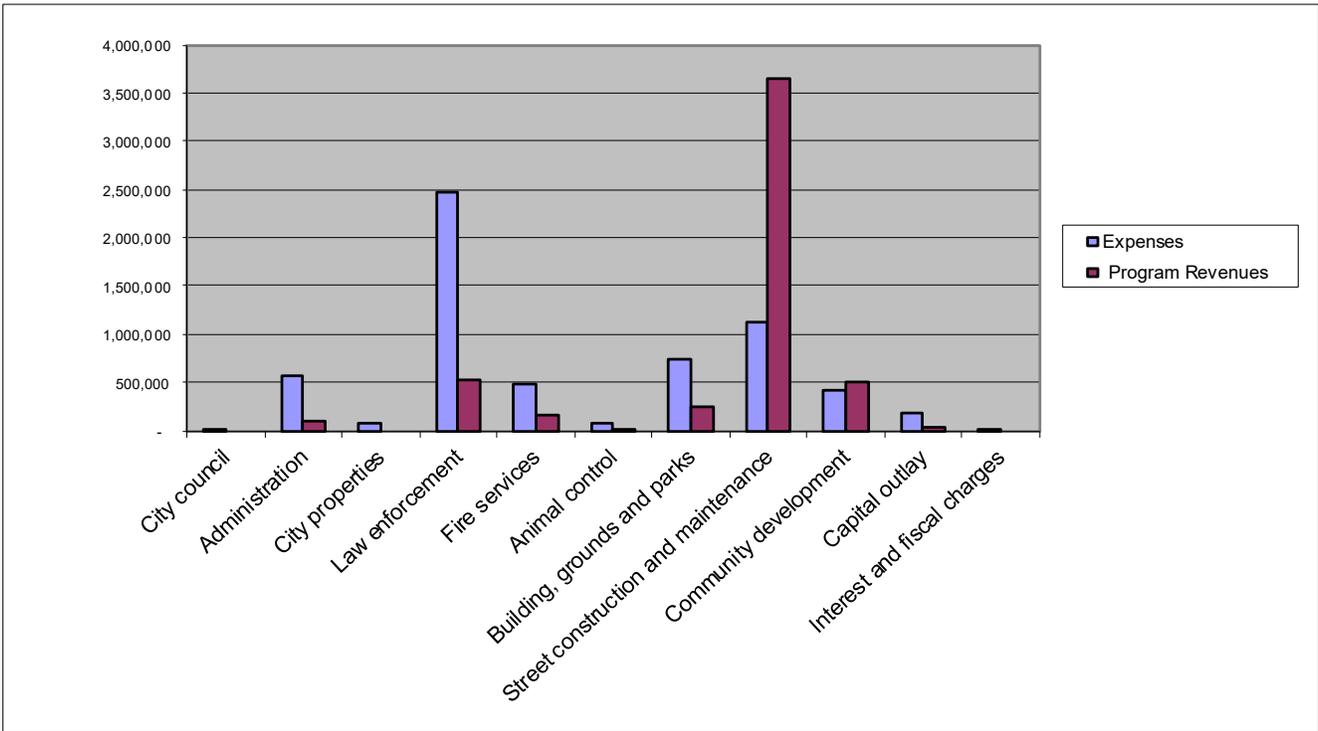
**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

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

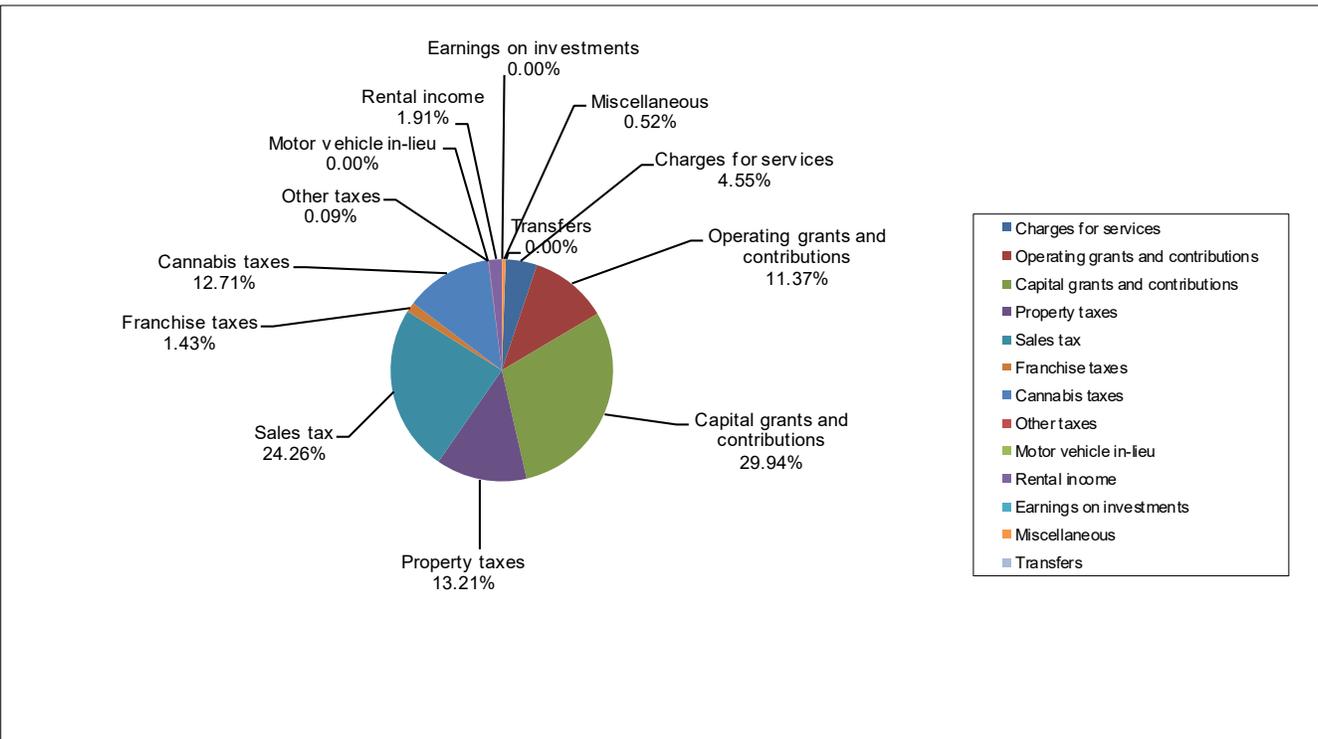
- Total Governmental Expenses increased by \$807,741 or about 15% while Governmental Revenues increased by \$4,072,123 or about 55% in the same period.
- Charges for services increased by \$132,826 or 34% to \$520,089 from the prior year, reversing the trend. This is due mostly to Fire Personnel began responding to State-wide disaster-related calls for mutual aid compared to the prior year when they did not.
- Governmental operating grants and contributions increased by \$522,815, or 67%, from the prior year to \$1,299,227 (Fiscal Year 2019 was \$920,232 and Fiscal Year 2020 was \$776,412). This growth is the net result of grants and transfers in several different statuses spread across several departments and funds. This is a positive trend as the City is receiving reimbursement for grants that support operational expenses and other projects.
- Capital Grants and Contributions reversed direction and increased by \$1,871,747 or 121% to \$3,419,968 from the prior year. Like the governmental operating grants, this increase is primarily caused by the change in activity with street projects, and other capital purchases during the year. As the City completes projects and starts new ones that are reimbursed from these funding agencies will naturally ebb and flow. However, the City's Capital Improvement Plan indicates that more road projects funded by Measure R will occur in future years and so this figure is anticipated to increase again at that time.
- Sales tax revenues increased \$996,021, or nearly 56%, from the prior year to \$2,770,742. This is the fourth significant increase in Sale tax revenues in a row (Fiscal Year 2018 increased by 60%, 2019 was 35%, and 2020 was 17%). There are several factors impacting this revenue source the most significant of which are Measure P sales tax receipts, increases in gas prices, the impact of the South Dakota v. Wayfair result regarding taxation of online purchases, and Cannabis Dispensary sales revenues. Measure P is a ½ cent sales tax increase that took effect in April 2019 and specifically raises the sales tax for Farmersville. Increases in gas prices, due to changing market conditions as well as increases in State gas taxes raise the price overall and revenues for the City. Online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City. The addition of two cannabis businesses also impacted sales tax significantly for the period as they joined the top sales tax performers in the City.
- The first full year of revenues from the Cannabis Business Tax this year made a significant impact on the financial status of the City by adding an additional \$1,452,278 with taxes collected June 30, 2021. 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 additional 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.
- Franchise fees increased by \$13,727 or nearly 9% compared to an increase of 7% last year. The total franchise fees were \$163,836. 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 reduced to \$0 this year (actual returns were offset by unrealized asset losses), a significant decline from \$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 decreased just as dramatically. Nevertheless, the ultimate value of the security remains unchanged, and the interest / dividend rate remains unchanged in the long run unless the security is sold early. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large downswing in value this year is a continuation of reaction to the current market conditions caused by the stimulus injected into the markets by the Federal Government to offset the shelter-in-place orders relative to the COVID-19 health crisis.
- All remaining revenue types displayed above are in-line with prior year revenues reported.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Expenses and Program Revenue – Governmental Activities**



**Revenues by Source – Governmental Activities**



**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

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

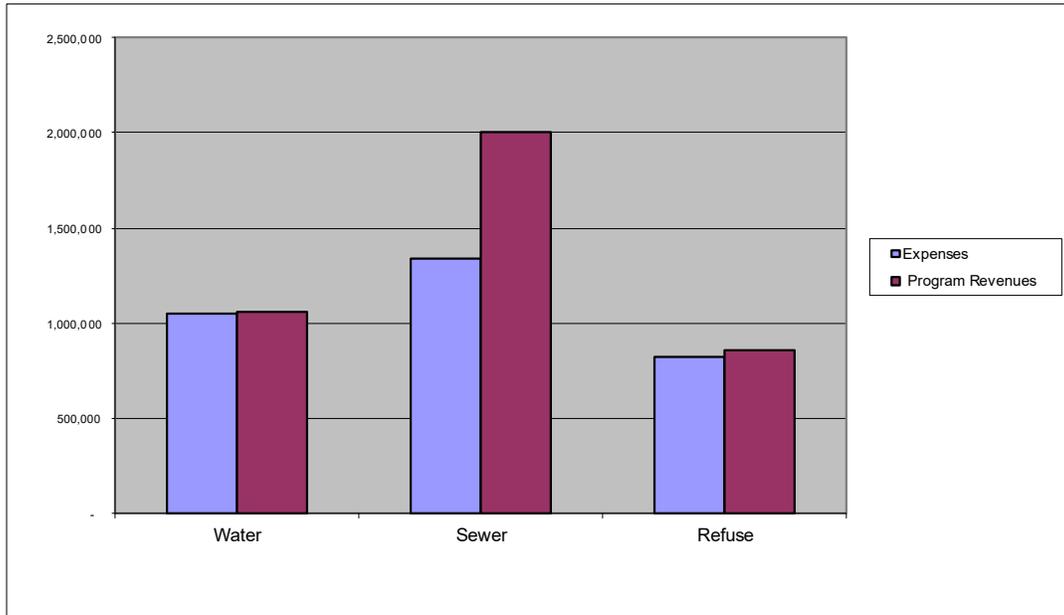
- Total Governmental Expenses increased by \$807,741 or about 15% while Governmental Revenues increased by \$4,072,123 or about 55% in the same period.
- City Council expense decreased by \$3,150 or 44% due to decreased Council Member travel because of pandemic restrictions. This is like the trend from the prior year.
- Administration expenses increased by \$102,310 or about 22% from the prior year to \$560,032. 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 increased by \$6,343 or 10% to \$67,209 but is still down significantly to prior years. 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 \$229,327 or 10% to \$2,480,446 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 increased substantially by \$104,668 or 27% to \$487,306 from the prior year. This significant change is due to the restructuring and almost complete turnover of staff in addition to significant salary and benefit increases.
- Buildings, Grounds, and Parks increased dramatically again in 2021 by \$384,215 or about 107% to \$743,610. This is caused by a focus on maintenance work in the parks and parkways and the hiring of temporary staff to combat this deferred maintenance need as directed by City Council. This is in addition to substantial increases the in prior year of 89%. Costs in 2019 were \$190,361.
- Street construction and maintenance expenses increased by \$298,717 or 36% to \$1,123,550. As the City completes various street projects this will decrease and increase as the activity levels change. Road construction projects on Farmersville Blvd., and Walnut Ave. are all at various stages of completion and reimbursement (if applicable) that account for this change from the prior year.
- Community Development expenses decreased again this year by \$74,300 or 15% to \$410,601. This continues the trend of decreases from the prior year (73% in 2019, and 39% in 2020). The decrease is primarily related to the City's completion of grant-funded projects and a reduction of unreimbursed activity. The City has entered a new phase with many grants and a restructuring of the licensing and permitting process to correctly recoup and expense cost in this department. These expenses will continue to level out to some degree but will vary depending upon the grant activity of the City.
- Capital Outlay expenses are a new category that was first included in 2020 for comparison. 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. These costs will continue but likely to be highly volatile due to the nature of the Capital Improvement Plan and the needs of the City. This category decreased from the prior year by \$244,595 or 57% to \$187,420.
- 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, 2021**

**Business-type activities.** Business-type activities were stable for the period but the City's net position increased by \$760,354 over the prior fiscal year. Key elements of this increase are as follows:

- As indicated on page 58, in Note 15 – Restatement of Beginning Net Position, the City needed to restate the level of debt incurred by the agreement with the California Water Resources Control Board to reflect the \$3,775,811. Since these funds were received and not subject to repayment they were reclassified from debt / liability to cash / revenue in the prior period thus changing the beginning net position of the sewer fund and the schedule of Net Position on the previous page.
- Some of the outstanding losses related to non-payment of utility accounts by Governor Newsom's executive order are not resolved as they have not been written off or paid yet but remain outstanding until the following period where those costs will be resolved.
- All remaining revenue and expense line items displayed above are in-line with prior year expenses reported.

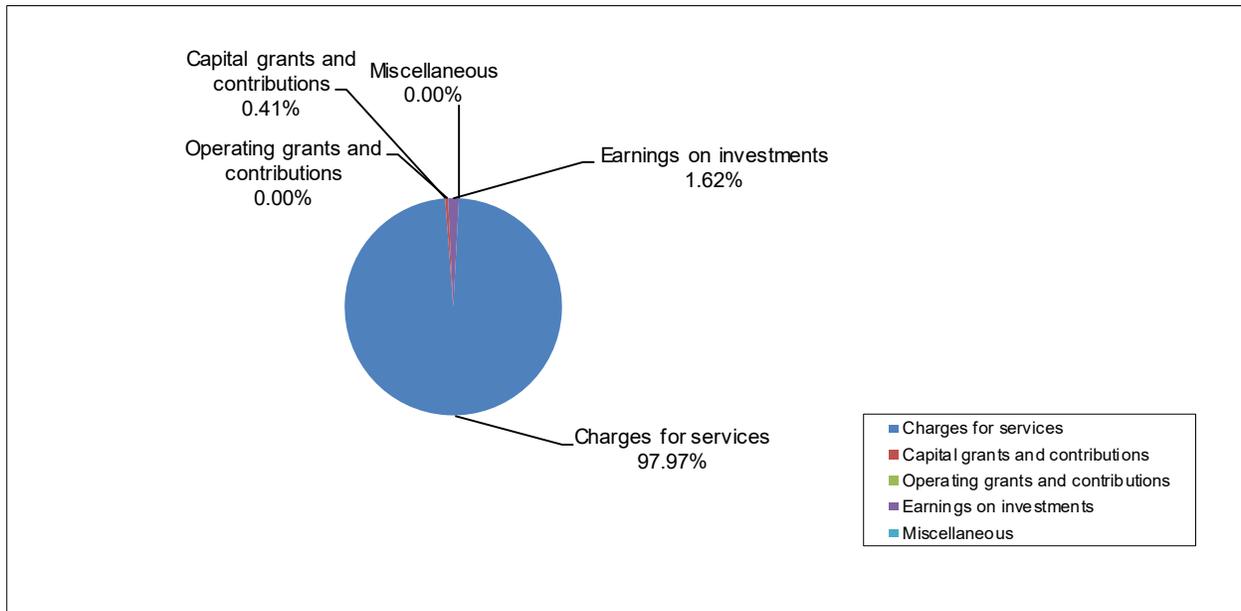
**Expenses and Program Revenue – Business-Type Activities**



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 the fiscal year ending June 30, 2022. For more specific information regarding the capitalized cost and reimbursement for those costs please refer to the Single Audit Report for the fiscal year ending June 30, 2022.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Revenue by Source – Business-Type Activities**



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

**FINANCIAL ANALYSIS OF CITY'S FUNDS**

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

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

At the end of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$11,296,463, an increase of \$2,168,293 in comparison to the prior year. Of this total amount, \$6,697,437 is either non-spendable, restricted, committed, or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$4,599,027 at June 30, 2021. This represents an increase of \$1,716,620 from the prior year unassigned fund balance of \$2,882,406 at June 30, 2020.

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. Expenditures for the General Fund as of June 30, 2021 total \$4,695,159 and the unassigned fund balance was \$4,745,820 as of the same date.

The fund balance of the City's General Fund increased by \$2,003,531 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year potentially adding to this increase in fund balance.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Revenue by Source  
GENERAL FUND**

	FY2021		FY2020		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Property taxes	\$ 1,500,842	21.89%	\$ 1,422,050	29.17%	\$ 78,792	3.98%
Sales taxes	2,770,742	40.41%	1,774,721	36.40%	996,021	50.29%
Cannabis taxes	1,451,278	21.17%	691,919	14.19%	759,359	38.34%
Other taxes	182,142	2.66%	169,792	3.48%	12,350	0.62%
Licenses and permits	107,151	1.56%	72,866	1.49%	34,285	1.73%
Charges for services	310,045	4.52%	230,904	4.74%	79,141	4.00%
Intergovernmental	267,415	3.90%	39,003	0.80%	228,412	11.53%
Fines and penalties	39,445	0.58%	20,191	0.41%	19,254	0.97%
Investment income	(50,592)	-0.74%	220,571	4.52%	(271,163)	-13.69%
Rent	218,408	3.19%	184,422	3.78%	33,986	1.72%
Miscellaneous	59,370	0.87%	49,279	1.01%	10,091	0.51%
<b>Total</b>	<b>\$ 6,856,246</b>	<b>100.00%</b>	<b>\$ 4,875,718</b>	<b>100.00%</b>	<b>\$ 1,980,528</b>	<b>100.00%</b>

- Property taxes revenue increased by \$78,792, or 6%, from the prior year to \$1,500,842. 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 \$996,021, or nearly 56%, from the prior year to \$2,770,742. This is the fourth significant increase in Sale tax revenues in a row (Fiscal Year 2018 increased by 60%, 2019 was 35%, and 2020 was 17%). There are several factors impacting this revenue source the most significant of which are Measure P sales tax receipts, increases in gas prices, the impact of the South Dakota v. Wayfair result regarding taxation of online purchases, and Cannabis Dispensary sales revenues. Measure P is a ½ cent sales tax increase that took effect in April 2019 and specifically raises the sales tax for Farmersville. Increases in gas prices, due to changing market conditions as well as increases in State gas taxes raise the price overall and revenues for the City. Online sales taxes are now more effectively collected and credited to the correct district which has seen substantial increases for the City. The addition of two cannabis businesses also impacted sales tax significantly for the period as they joined the top sales tax performers in the City.
- The first full year of revenues from the Cannabis Business Tax this year made a significant impact on the financial status of the City by adding an additional \$1,451,278 with taxes collected June 30, 2021. 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 additional 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.
- Other taxes revenue increased by \$12,350, or 7%, from the prior year to \$182,142. A variety of revenue sources had positive results leading to a healthy increase primarily associated with real estate transfer taxes and other fees paid to the City.
- Licenses and permits revenue increased by \$34,285, or 47%, from the prior year to \$107,151. This is a normal ebb and flow 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 but also increased in some categories potentially spurred by the City updating fee schedules. The updates to fees may have some moderate increases in future years as well. Services fees increases will be effective January 2022.
- Charges for services revenue increased by \$79,141, or 34%, from the prior year to \$310,045. 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 2021, a change from 2020 and so the revenues decreased as a result.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

- Intergovernmental revenue increased \$228,412, or 586%, from the prior year to \$267,415. The primary reason for this increase is the CARES Act allocation during the COVID-19 health crisis for \$140,745 received by the City. This is a one-time revenue item that came from the State of California. Another \$69,784 came from the Proposition 56 grant through Tulare County Office of Education to offset School Youth Officer costs.
- Fines and penalties revenue increased \$19,254, or 95%, from the prior year to \$39,445. These revenues are associated primarily with Code Enforcement actions are reactionary to the demand and situations presented to the City throughout the year. With the hiring of a new full-time code officer, these revenues will likely increase in future years as well.
- Investment income decreased \$271,163, or -123%, from the prior year to -\$50,592 (loss). As described previously in this report, when the interest rate environment changes to an unfavorable environment the value of the investments will decrease and vice versa. Nevertheless, the ultimate value of the security remains unchanged and the interest / dividend rate remains unchanged. So, while there may be swings in valuation, the safety and liquidity of the City's investments is secure. The large downswing in value this year is a result of the quick, but temporary decreasing rate environment in Fiscal Year 2021.
- Rent revenue increased \$33,986, or 18% from the prior year to \$218,408. The increase is attributable to the normal increases in rent included in contracts with leases of City property. New agreements were put in place for some of the properties and slightly increased this revenue for Fiscal Year 2021 compared to prior years.
- Miscellaneous revenue increased by \$10,091, or 20%, from the prior year to \$59,370. The increase was due to receipt of more 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**

	FY2021		FY2020		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
City council	\$ 4,452	0.09%	\$ 7,962	0.20%	\$ (3,510)	-0.54%
Administration	503,262	10.72%	490,876	12.15%	12,386	1.89%
City properties	53,737	1.14%	41,659	1.03%	12,078	1.85%
Law enforcement	2,316,661	49.34%	2,048,158	50.68%	268,503	41.08%
Fire services	491,976	10.48%	378,415	9.36%	113,561	17.37%
Animal control	74,534	1.59%	75,093	1.86%	(559)	-0.09%
Buildings, grounds and parks	423,593	9.02%	241,330	5.97%	182,263	27.88%
Community development	533,867	11.37%	298,777	7.39%	235,090	35.97%
Capital outlay	246,010	5.24%	421,822	10.44%	(175,812)	-26.90%
Debt Service	47,067	1.00%	37,406	0.93%	9,661	1.48%
<b>Total</b>	<b>\$ 4,695,159</b>	<b>100.00%</b>	<b>\$ 4,041,498</b>	<b>100.00%</b>	<b>\$ 653,661</b>	<b>100.00%</b>

- City Council expenditures decreased by \$3,510 or 44% to \$4,452 from the prior year due to decreased Council Member travel and activity related to pandemic stay at home orders.
- Administration expenditures increased by \$12,386 or 3% from the prior year to \$503,262. 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 increased by \$12,078 or 29% from the prior year to \$53,737. 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.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

- Law enforcement expenses increased by \$268,503 or 13% from the prior year to \$2,316,661. Typically, these costs will go up each year closely matching the increasing costs related to salaries and benefits. However, while there was an increase in salaries and benefits (roughly 5%) the largest increases were seen in professional expenses (24%), overtime (33%), and in a one-time payment toward CalPERS Unfunded Accrued Liability which was the equivalent of a 279% increase and should not be considered part of normal costs but is a true cost of the police department.
- Fire services expenses increased by \$113,561 or 30% from the prior year to \$491,976. The biggest change in this department is a large increase in salary and benefit costs due to an adjustment made through labor negotiations to bring the officer pay above market average for the area in like agencies. This resulted in about a 15% increase in that category of costs.
- Animal control expenditures decreased by \$559, or -1%, from the prior year to \$74,534 and is a normal year to year change in cost relative to this operation unit.
- Buildings, grounds, and parks expenditures increased by \$182,263 or 76%, from the prior year to \$423,593. City Council direction to focus time and effort on park and median clean up as well as unbudgeted expenses related to park improvements added significantly to this total cost through the cost of materials and the hiring of temporary employees.
- Community Development expenditures increased by \$235,090, or 79%, from the prior year to \$533,867. Changes in this department are related to various grant projects and initiatives which vary in cost from year to year. Additionally, the restructuring of administrative tasks and the creation of the Development Coordinator position to administer the licensing and permitting process of the City is now allocated to this department. This increase is understandable considering this new expense burden and will be anticipated in future years.
- Capital outlay expenditures decreased by \$175,812 or -42% from the prior year to \$246,010. This decrease is due to the annual fluctuations in Capital Budget purchases need for the General Fund. Purchases of vehicles and other equipment for Police, Fire, and Public Works dominate this category.
- Debt services expenditures increased by \$9,661 or 26% from the prior year to \$47,067 related to the new round of Police Vehicle Purchase Plan lease expenses for the period established in Fiscal Year 2020.

**Governmental Major Funds**

Detail for these funds can be found on page 26 and 27 of the financial statements.

The Federal and State Grants Special Revenue Fund has a total fund balance deficit of \$129,543, 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 \$69,713 due to expenses related to grant expenditures incurred previously but reimbursed from the State in the current period. It is common to experience a lag in reimbursement that carries over fiscal years and this change is nearly identical to the prior year.

The Street Tax Special Revenue Fund has a total fund balance of \$5,048,317, all of which is restricted to street construction and maintenance. The net increase in fund balance during the current fiscal year was \$186,985. 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 \$91,958, all of which is restricted to community development. The net increase in fund balance during the current fiscal year was \$6,227 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.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

At the end of the fiscal year, actual expenditures were \$21,729 lower than the final budgetary appropriations. This variance is minimal and while all major operational units stayed within budget there were a number of unbudgeted expenses that put actual expenditures higher than the budgetary appropriations in some categories.

During the year, actual revenues were \$422,791 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. There were also variances based upon tax remitters being untimely that had an impact but were not able to be effectively budgeted. 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.

**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, 2021, amounts to \$58,012,751 (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 14%.

**City of Farmersville's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,925,818	\$ 1,895,062	\$ 960,435	\$ 953,935	\$ 2,886,253	\$ 2,848,997
Infrastructure in progress	2,528,850	2,211,565	23,149,781	19,436,940	25,678,631	21,648,505
Building and improvements	6,916,735	6,805,675	149,461	149,461	7,066,196	6,955,136
Vehicles, machinery and equipment	2,289,122	2,636,270	1,053,578	1,287,812	3,342,700	3,924,082
Infrastructure	23,977,080	20,521,677	-	-	23,977,080	20,521,677
Utility transmission structures	-	-	6,841,277	6,346,318	6,841,277	6,346,318
Less: Accumulated Depreciation	(7,735,510)	(7,311,697)	(4,043,876)	(4,056,979)	(11,779,386)	(11,368,676)
Total	\$ 29,902,095	\$ 26,758,552	\$ 28,110,656	\$ 24,117,487	\$ 58,012,751	\$ 50,876,039

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 \$20,383,100. Of this amount, \$1,790,351 is the liability of governmental activities and \$18,592,749 is the liability of business-type activities.

**City of Farmersville's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Loans payable	\$ -	\$ -	\$ 17,999,780	\$ 19,355,181	\$ 17,999,780	\$ 19,355,181
Capital leases payable	86,420	133,487	-	-	86,420	133,487
Compensated Absences	567,982	502,352	141,498	134,191	709,480	636,543
Net pension liability	1,135,949	977,639	451,471	410,492	1,587,420	1,388,131
Total	\$ 1,790,351	\$ 1,613,478	\$ 18,592,749	\$ 19,899,864	\$ 20,383,100	\$ 21,513,342

Additional information on the City's long-term debt can be found in Note 8 of the financial statements on pages 49 through 50 of this report.

**CITY OF FARMERSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**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 the Nation.
- Increased Workers Compensation costs due to Local, State, and National trends.
- Increases in CalPERS normal cost and Unfunded Accrued Liability payments.

**REQUESTS FOR INFORMATION**

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF FARMERSVILLE  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,401,907	\$ 7,026,394	\$ 15,428,301
Receivables, net of allowance for uncollectibles:			
Consumer	1,161,168	391,661	1,552,829
Intergovernmental	2,860,814	1,154,305	4,015,119
Due from the Successor Agency	5,355	-	5,355
Prepaid expenses	54,329	-	54,329
Restricted assets:			
Cash and investments	-	2,163,714	2,163,714
Capital assets, net	<u>29,902,095</u>	<u>28,110,656</u>	<u>58,012,751</u>
Total assets	<u>42,385,668</u>	<u>38,846,730</u>	<u>81,232,398</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	<u>601,900</u>	<u>135,238</u>	<u>737,138</u>
Total deferred outflows of resources	<u>601,900</u>	<u>135,238</u>	<u>737,138</u>
<b>LIABILITIES</b>			
Accounts payable	838,212	730,955	1,569,167
Salaries and benefits payable	44,951	17,943	62,894
Interest payable	-	32,622	32,622
Retainage payable	-	936,151	936,151
Deposits	17,138	13,949	31,087
Unearned revenue	286,809	9,773	296,582
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	113,596	28,299	141,895
Loans payable	-	76,000	76,000
Capital leases payable	48,737	-	48,737
Portion due or payable after one year:			
Compensated absences	454,386	113,199	567,585
Loans payable	-	17,923,780	17,923,780
Capital leases payable	37,683	-	37,683
Net pension liability	<u>1,135,949</u>	<u>451,471</u>	<u>1,587,420</u>
Total liabilities	<u>2,977,461</u>	<u>20,334,142</u>	<u>23,311,603</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	<u>25,051</u>	<u>40,813</u>	<u>65,864</u>
Total deferred inflows of resources	<u>25,051</u>	<u>40,813</u>	<u>65,864</u>
<b>NET POSITION</b>			
Net investment in capital assets	29,815,675	9,174,725	38,990,400
Restricted for:			
Debt service	-	751,623	751,623
Public safety	231,438	-	231,438
Capital projects	-	1,412,092	1,412,092
Community development	474,534	-	474,534
Capital maintenance	5,386,136	-	5,386,136
Unrestricted	<u>4,077,273</u>	<u>7,268,573</u>	<u>11,345,846</u>
Total net position	<u>\$ 39,985,056</u>	<u>\$ 18,607,013</u>	<u>\$ 58,592,069</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, 2021**

	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	\$ 4,452	\$ -	\$ -	\$ -	\$ (4,452)	\$ -	\$ (4,452)
Administration	560,032	98,482	-	-	(461,550)	-	(461,550)
City properties	67,209	-	-	-	(67,209)	-	(67,209)
Public safety:							
Law enforcement	2,480,446	145,341	382,707	4,206	(1,948,192)	-	(1,948,192)
Fire services	487,306	159,311	-	1,654	(326,341)	-	(326,341)
Animal control	78,370	2,015	-	-	(76,355)	-	(76,355)
Building, grounds and parks	743,610	99	-	240,925	(502,586)	-	(502,586)
Street construction and maintenance	1,123,550	63,349	463,444	3,130,757	2,534,000	-	2,534,000
Community development	410,601	51,492	453,076	2,426	96,393	-	96,393
Capital outlay	187,420	-	-	40,000	(147,420)	-	(147,420)
Interest and fiscal charges	4,059	-	-	-	(4,059)	-	(4,059)
Total governmental activities	<u>6,147,055</u>	<u>520,089</u>	<u>1,299,227</u>	<u>3,419,968</u>	<u>(907,771)</u>	<u>-</u>	<u>(907,771)</u>
Business-Type Activities:							
Water	1,053,654	1,052,786	-	4,983	-	4,115	4,115
Sewer	1,340,108	1,988,004	-	11,284	-	659,180	659,180
Refuse	826,347	859,038	-	-	-	32,691	32,691
Total business-type activities	<u>3,220,109</u>	<u>3,899,828</u>	<u>-</u>	<u>16,267</u>	<u>-</u>	<u>695,986</u>	<u>695,986</u>
Total	<u>\$ 9,367,164</u>	<u>\$ 4,419,917</u>	<u>\$ 1,299,227</u>	<u>\$ 3,436,235</u>	<u>(907,771)</u>	<u>695,986</u>	<u>(211,785)</u>
General revenues:							
Taxes:							
Property taxes					1,509,127	-	1,509,127
Sales taxes					2,770,742	-	2,770,742
Cannabis taxes					1,451,278	-	1,451,278
Franchise taxes					163,836	-	163,836
Other taxes					10,021	-	10,021
Rental income					218,408	-	218,408
Earnings on investments					-	64,368	64,368
Miscellaneous					59,370	-	59,370
Total general revenues					<u>6,182,782</u>	<u>64,368</u>	<u>6,247,150</u>
Changes in net position					<u>5,275,011</u>	<u>760,354</u>	<u>6,035,365</u>
Net position - beginning (as restated)					<u>34,710,045</u>	<u>17,846,659</u>	<u>52,556,704</u>
Net position - ending					<u>\$ 39,985,056</u>	<u>\$ 18,607,013</u>	<u>\$ 58,592,069</u>

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

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## FUND FINANCIAL STATEMENTS

**CITY OF FARMERSVILLE  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	Special Revenue Funds					Total Governmental Funds
	General	Federal and State Grants	Street Tax	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 3,936,835	\$ -	\$ 3,414,082	\$ 91,958	\$ 959,032	\$ 8,401,907
Receivables:						
Accounts	411,168	-	750,000	-	-	1,161,168
Intergovernmental	677,487	618,939	1,468,579	-	95,809	2,860,814
Due from other funds	512,635	-	-	-	-	512,635
Due from the Successor Agency	5,355	-	-	-	-	5,355
Prepaid expenses	54,329	-	-	-	-	54,329
	<u>5,597,809</u>	<u>618,939</u>	<u>5,632,661</u>	<u>91,958</u>	<u>1,054,841</u>	<u>12,996,208</u>
Total assets						
<b>LIABILITIES</b>						
Accounts payable	\$ 180,762	\$ 59,200	\$ 582,013	\$ -	\$ 16,237	\$ 838,212
Salaries and benefits payable	38,807	-	2,331	-	3,813	44,951
Deposits	17,138	-	-	-	-	17,138
Due to other funds	-	426,346	-	-	86,289	512,635
Unearned revenue	9,953	262,936	-	-	13,920	286,809
	<u>246,660</u>	<u>748,482</u>	<u>584,344</u>	<u>-</u>	<u>120,259</u>	<u>1,699,745</u>
Total liabilities						
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid expenses	54,329	-	-	-	-	54,329
Restricted for:						
Public safety	-	-	-	-	231,438	231,438
Community development	-	-	-	91,958	382,576	474,534
Capital maintenance	-	-	5,048,317	-	337,819	5,386,136
Assigned to:						
General government	551,000	-	-	-	-	551,000
Unassigned	4,745,820	(129,543)	-	-	(17,251)	4,599,026
	<u>5,351,149</u>	<u>(129,543)</u>	<u>5,048,317</u>	<u>91,958</u>	<u>934,582</u>	<u>11,296,463</u>
Total fund balances						
Total liabilities and fund balances	<u>\$ 5,597,809</u>	<u>\$ 618,939</u>	<u>\$ 5,632,661</u>	<u>\$ 91,958</u>	<u>\$ 1,054,841</u>	<u>\$ 12,996,208</u>

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

**CITY OF FARMERSVILLE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2021**

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

Total fund balances - governmental funds		\$ 11,296,463
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 \$37,637,605 and the accumulated depreciation is \$7,735,510.		29,902,095
Deferred outflows and inflows of resources are reported in the Statement of Net Position, but are not recognized in the governmental funds:		
Deferred outflow of resources related to pensions		601,900
Deferred inflows of resources related to pensions		(25,051)
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		
Compensated absences	(567,982)	
Net pension liability	<u>(1,135,949)</u>	
Total long-term liabilities		<u>(1,790,351)</u>
Net position of governmental activities		<u>\$ 39,985,056</u>

**CITY OF FARMERSVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds					Total Governmental Funds
	General	Federal and State Grants	Street Tax	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 1,500,842	\$ -	\$ -	\$ -	\$ -	\$ 1,500,842
Sales taxes	2,770,742	-	-	-	-	2,770,742
Cannabis taxes	1,451,278	-	-	-	-	1,451,278
Other taxes	182,142	-	-	-	-	182,142
Licenses and permits	107,151	-	-	-	-	107,151
Developer fees	-	-	-	-	4,819	4,819
Charges for services	310,045	-	-	-	63,349	373,394
Intergovernmental	267,415	586,731	3,593,906	-	622,756	5,070,808
Fines and penalties	39,445	-	-	-	-	39,445
Gain (loss) on investments	(50,592)	-	35,179	-	8,484	(6,929)
Loan repayments	-	-	-	6,227	-	6,227
Rental income	218,408	-	-	-	-	218,408
Miscellaneous revenues	59,370	-	-	-	-	59,370
	<u>6,856,246</u>	<u>586,731</u>	<u>3,629,085</u>	<u>6,227</u>	<u>699,408</u>	<u>11,777,697</u>
<b>EXPENDITURES</b>						
Current:						
City council	4,452	-	-	-	-	4,452
Administration	503,262	-	-	-	-	503,262
City properties	53,737	-	-	-	-	53,737
Public safety:						
Law enforcement	2,316,661	-	-	-	312,721	2,629,382
Fire services	491,976	-	-	-	-	491,976
Animal control	74,534	-	-	-	-	74,534
Buildings, grounds and parks	423,593	-	-	-	-	423,593
Street construction and maintenance	-	-	572,595	-	117,729	690,324
Community development	533,867	787,228	-	-	7,342	1,328,437
Capital outlay	246,010	-	2,869,414	-	247,216	3,362,640
Debt service:						
Principal	47,067	-	-	-	-	47,067
	<u>4,695,159</u>	<u>787,228</u>	<u>3,442,009</u>	<u>-</u>	<u>685,008</u>	<u>9,609,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,161,087</u>	<u>(200,497)</u>	<u>187,076</u>	<u>6,227</u>	<u>14,400</u>	<u>2,168,293</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, 2021**  
(Continued)

	Special Revenue Funds					Total Governmental Funds
	General	Federal and State Grants	Street Tax	Low and Moderate Income Housing Asset	Nonmajor Governmental Funds	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	91	130,784	-	-	25,000	155,875
Transfers out	(155,784)	-	(91)	-	-	(155,875)
Total other financing sources (uses)	(155,693)	130,784	(91)	-	25,000	-
Net change in fund balances	2,005,394	(69,713)	186,985	6,227	39,400	2,168,293
Fund balances - beginning	3,345,755	(59,830)	4,861,332	85,731	895,182	9,128,170
Fund balances - ending	\$ 5,351,149	\$ (129,543)	\$ 5,048,317	\$ 91,958	\$ 934,582	\$ 11,296,463

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, 2021**

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

Net change in fund balances - total governmental funds \$ 2,168,293

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

Capital expenditures	4,192,870
Depreciation expense	(959,236)

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

Disposal of assets	(90,091)
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Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Payment of capital leases payable	47,067
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Changes to compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(65,630)
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Changes to net pension liability and pension related deferred inflows and outflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(18,262)
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Change in net position of governmental activities	\$ 5,275,011
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**CITY OF FARMERSVILLE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,084,934	\$ 5,568,636	\$ 372,824	\$ 7,026,394
Consumer receivables, net of allowance	128,565	191,722	71,374	391,661
Intergovernmental receivables	-	1,154,305	-	1,154,305
Total current assets	<u>1,213,499</u>	<u>6,914,663</u>	<u>444,198</u>	<u>8,572,360</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	387,002	1,776,712	-	2,163,714
Capital assets, net	<u>1,858,986</u>	<u>26,251,670</u>	<u>-</u>	<u>28,110,656</u>
Total noncurrent assets	<u>2,245,988</u>	<u>28,028,382</u>	<u>-</u>	<u>30,274,370</u>
Total assets	<u>3,459,487</u>	<u>34,943,045</u>	<u>444,198</u>	<u>38,846,730</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pensions	<u>62,297</u>	<u>61,011</u>	<u>11,930</u>	<u>135,238</u>
Total deferred outflows of resources	<u>62,297</u>	<u>61,011</u>	<u>11,930</u>	<u>135,238</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	71,369	616,608	42,978	730,955
Salaries and benefits payable	8,023	7,682	2,238	17,943
Deposits	13,949	-	-	13,949
Interest payable	-	32,622	-	32,622
Retainage payable	-	936,151	-	936,151
Unearned revenue	-	-	9,773	9,773
Compensated absences	12,861	12,379	3,059	28,299
Loans payable	<u>-</u>	<u>76,000</u>	<u>-</u>	<u>76,000</u>
Total current liabilities	<u>106,202</u>	<u>1,681,442</u>	<u>58,048</u>	<u>1,845,692</u>
Noncurrent liabilities:				
Compensated absences	51,445	49,518	12,236	113,199
Loans payable	-	17,923,780	-	17,923,780
Net pension liability	<u>208,642</u>	<u>203,047</u>	<u>39,782</u>	<u>451,471</u>
Total noncurrent liabilities	<u>260,087</u>	<u>18,176,345</u>	<u>52,018</u>	<u>18,488,450</u>
Total liabilities	<u>366,289</u>	<u>19,857,787</u>	<u>110,066</u>	<u>20,334,142</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	<u>18,425</u>	<u>18,643</u>	<u>3,745</u>	<u>40,813</u>
Total deferred inflows of resources	<u>18,425</u>	<u>18,643</u>	<u>3,745</u>	<u>40,813</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,858,986	7,315,739	-	9,174,725
Restricted for:				
Debt service	-	751,623	-	751,623
Capital projects	387,003	1,025,089	-	1,412,092
Unrestricted	<u>891,081</u>	<u>6,035,175</u>	<u>342,317</u>	<u>7,268,573</u>
Total net position	<u>\$ 3,137,070</u>	<u>\$ 15,127,626</u>	<u>\$ 342,317</u>	<u>\$ 18,607,013</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, 2021**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
Operating revenues:				
Charges for services	\$ 1,053,854	\$ 1,988,004	\$ 859,038	\$ 3,900,896
Operating expenses:				
Personnel costs	487,041	473,277	87,222	1,047,540
Utilities	124,183	128,102	-	252,285
Contractual services	87,134	204,023	693,499	984,656
Franchise payments	10,750	12,500	44,749	67,999
Operations and maintenance	204,175	212,167	2,451	418,793
Provision for bad debts	36,287	26,775	(1,574)	61,488
Depreciation	104,084	117,047	-	221,131
Total operating expenses	<u>1,053,654</u>	<u>1,173,891</u>	<u>826,347</u>	<u>3,053,892</u>
Operating income (loss)	<u>200</u>	<u>814,113</u>	<u>32,691</u>	<u>847,004</u>
Nonoperating revenue (expenses):				
Connection fees	4,983	9,343	-	14,326
Developer fees	-	1,941	-	1,941
Investment income	13,312	47,432	3,624	64,368
Interest expense	-	(166,217)	-	(166,217)
Miscellaneous	(1,068)	-	-	(1,068)
Total nonoperating revenues (expenses)	<u>17,227</u>	<u>(107,501)</u>	<u>3,624</u>	<u>(86,650)</u>
Change in net position	17,427	706,612	36,315	760,354
Net position - beginning (as restated)	<u>3,119,643</u>	<u>14,421,014</u>	<u>306,002</u>	<u>17,846,659</u>
Net position - ending	<u>\$ 3,137,070</u>	<u>\$ 15,127,626</u>	<u>\$ 342,317</u>	<u>\$ 18,607,013</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, 2021**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	Total
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,009,551	\$ 1,917,462	\$ 831,442	\$ 3,758,455
Cash payments to employees	(467,353)	(452,927)	(85,119)	(1,005,399)
Cash payments to suppliers	(378,707)	(1,305,775)	(737,863)	(2,422,345)
Net cash provided by (used in) operating activities	<u>163,491</u>	<u>158,760</u>	<u>8,460</u>	<u>330,711</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Cash received from connection fees	4,983	9,343	-	14,326
Cash received from developer fees	-	1,941	-	1,941
Cash received from grants	-	4,473,791	-	4,473,791
Other nonoperating cash receipts (payments)	(1,068)	-	-	(1,068)
Acquisition of capital assets	-	(4,051,602)	-	(4,051,602)
Proceeds from long-term debt	-	2,494,410	-	2,494,410
Principal paid on long-term debt	-	(74,000)	-	(74,000)
Interest paid on long-term debt	-	(133,595)	-	(133,595)
Net cash provided by (used in) capital and related financing activities	<u>3,915</u>	<u>2,720,288</u>	<u>-</u>	<u>2,724,203</u>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	<u>13,312</u>	<u>47,432</u>	<u>3,624</u>	<u>64,368</u>
Net cash provided by (used in) investing activities	<u>13,312</u>	<u>47,432</u>	<u>3,624</u>	<u>64,368</u>
Net increase (decrease) in cash and investments	180,718	2,926,480	12,084	3,119,282
Cash and investments, July 1, 2020	<u>1,291,218</u>	<u>4,418,868</u>	<u>360,740</u>	<u>6,070,826</u>
Cash and investments, June 30, 2021	<u>\$ 1,471,936</u>	<u>\$ 7,345,348</u>	<u>\$ 372,824</u>	<u>\$ 9,190,108</u>

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

Operating income (loss)	\$ 200	\$ 814,113	\$ 32,691	\$ 847,004
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>				
Depreciation	104,084	117,047	-	221,131
Bad debt expense	36,287	26,775	(1,574)	61,488
<i>Change in Assets and Liabilities:</i>				
(Increase) decrease in consumer receivables	(46,989)	(70,542)	(27,596)	(145,127)
(Increase) decrease in pension related deferred outflows of resources	(2,471)	(518)	926	(2,063)
Increase (decrease) in accounts payable	47,535	(748,983)	2,836	(698,612)
Increase (decrease) in salaries and benefits payable	1,382	1,248	1,052	3,682
Increase (decrease) in deposits payable	2,686	-	-	2,686
Increase (decrease) in compensated absences	3,003	2,842	1,462	7,307
Increase (decrease) in net pension liability	20,784	20,591	(396)	40,979
Increase (decrease) in pension related deferred inflows of resources	(3,010)	(3,813)	(941)	(7,764)
Net cash provided by (used in) operating activities	<u>\$ 163,491</u>	<u>\$ 158,760</u>	<u>\$ 8,460</u>	<u>\$ 330,711</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, 2021**

	<u>Successor Agency Trust Fund</u>
<b>ASSETS</b>	
Cash and investments - restricted	<u>\$ 219,000</u>
Total assets	<u>219,000</u>
<b>LIABILITIES</b>	
Due to the General Fund	5,355
Interest payable	15,991
Loan payable - current	142,641
Loan payable - long term	<u>1,374,033</u>
Total liabilities	<u>1,538,020</u>
<b>NET POSITION</b>	
Restricted for:	
Redevelopment dissolution and other purposes	<u>\$ (1,319,020)</u>

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

**CITY OF FARMERSVILLE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Successor Agency Trust Fund</u>
<b>ADDITIONS</b>	
Property taxes	<u>\$ 200,112</u>
Total additions	<u>200,112</u>
<b>DEDUCTIONS</b>	
Debt payment - interest	<u>63,312</u>
Total deductions	<u>63,312</u>
Net increase (decrease) in fiduciary net position	136,800
Net position (deficit) - beginning	<u>(1,455,820)</u>
Net position (deficit) - ending	<u>\$ (1,319,020)</u>

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

**CITY OF FARMERSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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, 2021**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major governmental funds:

**General Fund** - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Federal and State Grants Special Revenue Fund** - This fund accounts for the annual federal grant that provides for development of a viable urban community by providing suitable housing, principally for low- and moderate-income residents.

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

**Low and Moderate Income Housing Asset Special Revenue Fund** - This fund accounts for housing assets related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the Farmersville Redevelopment Agency on February 1, 2012.

The City has three enterprise funds, the Water, Sewer and Refuse, which are used to account for operations that are financed and operated in a manner similar to a private business enterprise. In an Enterprise Fund, the intent of the City Council is that the costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major proprietary fund types:

**Water Fund** - Accounts for financial activity of the water utility.

**Sewer Fund** - Accounts for financial activity of the sewage collection and wastewater treatment utility.

**Refuse Fund** - Accounts for financial activity of the refuse collection and disposal utility.

The City reports the following fiduciary fund types:

**Successor Agency Trust Fund** - Accounts for the assets and liabilities of the former Redevelopment Agency and its allocated revenue to pay estimated installment payments of the enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting**

***Government-Wide, Proprietary, and Fiduciary Fund Financial Statements*** - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Governmental Fund Financial Statements*** - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, cannabis taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

***Cash and Cash Equivalents***

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

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

***Property Tax Calendar***

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

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

**CITY OF FARMERSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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, 2021. 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, 2021**

**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, 2021**

**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, 2021**

**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, 2021 are classified in the accompanying financial statements as follows:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 8,401,907	\$ 7,026,394	\$ -	\$ 15,428,301
Restricted cash and investments	-	2,163,714	219,000	2,382,714
Total cash and investments	\$ 8,401,907	\$ 9,190,108	\$ 219,000	\$ 17,811,015

Cash and investments consist of the following as of June 30, 2021:

Cash on hand	\$ 5,000
Deposits with financial institutions	4,747,390
Investments	13,058,625
Total cash and investments	\$ 17,811,015

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

**C. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City’s investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment Type	Remaining Maturity (in Months)				
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund	\$ 4,305,139	\$ 4,305,139	\$ -	\$ -	\$ -
CSJVRMA Pool	3,679,782	3,679,782	-	-	-
Money Market	1,776,078	1,776,078	-	-	-
Certificates of Deposits	2,800,571	251,888	759,710	1,788,973	-
Federal Agency Securities:					
Federal National Mortgage Association	497,055	-	-	-	497,055
<b>Total</b>	<b>\$ 13,058,625</b>	<b>\$ 10,012,887</b>	<b>\$ 759,710</b>	<b>\$ 1,788,973</b>	<b>\$ 497,055</b>

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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	Rating as of Year-End		
	Total	AAA	Not Rated
Local Agency Investment Fund	\$ 4,305,139	\$ -	\$ 4,305,139
CSJVRMA Pool	3,679,782	-	3,679,782
Money Market	1,776,078	-	1,776,078
Certificates of Deposits	2,800,571	-	2,800,571
Federal Agency Securities:			
Federal National Mortgage Association	<u>497,055</u>	<u>497,055</u>	<u>-</u>
 Total	 <u>\$ 13,058,625</u>	 <u>\$ 497,055</u>	 <u>\$ 12,561,570</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, 2021, 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 \$4,747,391 at June 30, 2021. Bank balances were \$5,078,947, 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, 2021**

**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, 2021, 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, 2021 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, 2021, the City had \$4,305,139 invested in the LAIF, which was reported at fair value.

**H. Central San Joaquin Valley Risk Management Authority**

The City maintains an investment of \$3,610,641 in the Central San Joaquin Valley Risk Management Authority (CSJVRMA) Pool as of June 30, 2021. The total amount invested by all participants in the pool is \$149,134,521. The value of the pool shares which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the City's portion in the pool. The fair value of the City's share of the pool is determined monthly and is \$3,679,782 as of June 30, 2021. 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 2.88 years and the average rating is AA/Aa1. The pool consists of 57% Securities of U.S. Government Agencies, 20% U.S. Corporate Obligations and 23% other. The pool complies with the City's investment policy.

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021:

<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	\$ 2,800,571	\$ -	\$ 2,800,571	\$ -
Federal Agency Securities	497,055	-	497,055	-
	<u>3,297,626</u>	<u>\$ -</u>	<u>\$ 3,297,626</u>	<u>\$ -</u>
 <u>Unclassified Investments</u>				
Local Agency Investment Fund	4,305,139			
CSJVRMA Pool	3,679,782			
Money Market Funds	1,776,078			
	<u>9,760,999</u>			
 Total Investments	 <u>\$ 13,058,625</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, 2021**

**NOTE 3 – LOAN RECEIVABLE / UNAVAILABLE REVENUE (Continued)**

**A. Forgivable Loans (Continued)**

Nonperforming loans consisted of the following as of June 30, 2021:

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.

204,975

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.

9,889,878

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 \$ 12,387,168

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Interfund Loans Receivable and Payable**

Interfund loans receivable and payable consisted of the following at June 30, 2021:

	Due	
	From	To
Major Funds:		
General Fund	\$ 517,990	\$ -
Federal and State Grants Special Revenue Fund	-	426,346
Nonmajor Funds:		
Park Development Special Revenue Fund	-	81,019
Maintenance District Special Revenue Fund	-	5,270
Successor Agency Trust Fiduciary Fund	-	5,355
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 517,990</u>	<u>\$ 517,990</u>

The balances totaling \$517,990 due to the General Fund from the above listed special revenue funds and the Successor Agency Trust Fiduciary Fund represents short-term borrowing resulting from a temporary need for additional cash. This amount is expected to be repaid shortly after the end of the fiscal year.

**B. Transfers in/Transfers Out**

The following schedules summarized the City's transfer activity for the year ended June 30, 2021:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 91	\$ 155,784
Federal and State Grants Special Revenue Fund	130,784	-
Street Tax Special Revenue Fund	-	91
Nonmajor Funds:		
Maintenance District Special Revenue Fund	<u>25,000</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 155,875</u>	<u>\$ 155,875</u>

Transfers were made from the General Fund to the Federal and State Grants Special Revenue fund and Maintenance District Special Revenue Fund to cover the costs of various capital projects.

**CITY OF FARMERSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets activity for governmental activities for the year ended June 30, 2021 is as follows:

	Balances June 30, 2020	Acquisitions	Dispositions	Balances June 30, 2021
<b>Governmental Activities:</b>				
<i>Nondepreciable assets:</i>				
Land	\$ 1,895,062	\$ 30,756	\$ -	\$ 1,925,818
Infrastructure in progress	<u>2,211,565</u>	<u>3,751,637</u>	<u>(3,434,352)</u>	<u>2,528,850</u>
Total nondepreciable assets	<u>4,106,627</u>	<u>3,782,393</u>	<u>(3,434,352)</u>	<u>4,454,668</u>
<i>Depreciable assets:</i>				
Buildings and improvements	6,805,675	111,060	-	6,916,735
Vehicles, machinery and equipment	2,636,270	278,366	(625,514)	2,289,122
Infrastructure	<u>20,521,677</u>	<u>3,455,403</u>	<u>-</u>	<u>23,977,080</u>
Total depreciable assets	<u>29,963,622</u>	<u>3,844,829</u>	<u>(625,514)</u>	<u>33,182,937</u>
Less accumulated depreciation for:				
Buildings and improvements	2,644,329	217,849	-	2,862,178
Vehicles, machinery and equipment	1,851,118	157,429	(535,423)	1,473,124
Infrastructure	<u>2,816,250</u>	<u>583,958</u>	<u>-</u>	<u>3,400,208</u>
Total accumulated depreciation	<u>7,311,697</u>	<u>959,236</u>	<u>(535,423)</u>	<u>7,735,510</u>
Depreciable assets, net	<u>22,651,925</u>	<u>2,885,593</u>	<u>(90,091)</u>	<u>25,447,427</u>
Government activities capital assets, net	<u>\$ 26,758,552</u>	<u>\$ 6,667,986</u>	<u>\$ (3,524,443)</u>	<u>\$ 29,902,095</u>

A summary of capital assets activity for business-type activities for the year ended June 30, 2021 is as follows:

	Balances June 30, 2020	Acquisitions	Dispositions	Balances June 30, 2021
<b>Business-Type Activities:</b>				
<i>Nondepreciable assets:</i>				
Land	\$ 960,435	\$ -	\$ -	\$ 960,435
Construction in progress	<u>19,436,940</u>	<u>4,214,300</u>	<u>(501,459)</u>	<u>23,149,781</u>
Total nondepreciable assets	<u>20,397,375</u>	<u>4,214,300</u>	<u>(501,459)</u>	<u>24,110,216</u>
<i>Depreciable assets:</i>				
Buildings and improvements	149,461	-	-	149,461
Vehicles, machinery and equipment	1,287,812	-	(234,234)	1,053,578
Utility transmission structures	<u>6,339,818</u>	<u>501,459</u>	<u>-</u>	<u>6,841,277</u>
Total depreciable assets	<u>7,777,091</u>	<u>501,459</u>	<u>(234,234)</u>	<u>8,044,316</u>
Less accumulated depreciation for:				
Buildings and improvements	87,986	4,728	-	92,714
Vehicles, machinery and equipment	878,479	45,239	(234,234)	689,484
Infrastructure	<u>3,090,514</u>	<u>171,164</u>	<u>-</u>	<u>3,261,678</u>
Total accumulated depreciation	<u>4,056,979</u>	<u>221,131</u>	<u>(234,234)</u>	<u>4,043,876</u>
Depreciable assets, net	<u>3,720,112</u>	<u>280,328</u>	<u>-</u>	<u>4,000,440</u>
Business-type activities capital assets, net	<u>\$ 24,117,487</u>	<u>\$ 4,494,628</u>	<u>\$ (501,459)</u>	<u>\$ 28,110,656</u>

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5 – CAPITAL ASSETS (Continued)**

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

Governmental Activities:	
Administration	\$ 60,416
Public safety - law enforcement	89,461
Public safety - fire services	20,386
Public safety - animal control	3,447
Street construction and maintenance	521,549
Building, grounds and parks	70,912
Community development	173,818
City properties	19,247
Business-Type Activities:	
Water	104,084
Sewer	<u>117,047</u>
 Total	 <u>\$ 1,180,367</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 \$454,386 for governmental activities and \$113,199 for business-type activities at June 30, 2021. 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, 2021 was \$567,982 for governmental activities and \$141,498 for business-type activities.

	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021	Due Within One Year
Governmental Activities	<u>\$ 502,352</u>	<u>\$ 300,420</u>	<u>\$ (234,790)</u>	<u>\$ 567,982</u>	<u>\$ 113,596</u>
Business-Type Activities	<u>\$ 134,191</u>	<u>\$ 98,360</u>	<u>\$ (91,053)</u>	<u>\$ 141,498</u>	<u>\$ 28,299</u>

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 – LONG-TERM DEBT**

Long-term debt reported in the governmental activities at June 30, 2021 was comprised of the following:

***Police Vehicle Lease***

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:

	Balance June 30, 2020	Issued	Retired	Balance June 30, 2021	Due Within One Year
<i>Direct Borrowing:</i>					
Police vehicle lease	\$ 133,487	\$ -	\$ (47,067)	\$ 86,420	\$ 48,737
Total governmental activities	<u>\$ 133,487</u>	<u>\$ -</u>	<u>\$ (47,067)</u>	<u>\$ 86,420</u>	<u>\$ 48,737</u>

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

Fiscal Years Ending June 30,	Principal	Interest	Total
2022	48,737	2,390	51,127
2023	<u>37,683</u>	<u>661</u>	<u>38,344</u>
Total	<u>\$ 86,420</u>	<u>\$ 3,051</u>	<u>\$ 89,471</u>

Long-term debt reported in the business-type activities at June 30, 2021 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 \$13,215,780 and extending the payable date of the loan to September 1, 2021. The agreement reimburses the City for allowable expenses in the form of a loan that were incurred as a result of the construction of the Wastewater Treatment Plant. Contingent upon the City's performance of obligations under the agreement, the lender has agreed to forgive \$2,224,189 of the principal due, which has not been considered in the balance owed as of June 30, 2021. Payments are due annually on September 1 of each year. There is no current portion as repayment of the loan begins one year after completion of the project and future debt service payments will be determined upon completion of the related project.

**CITY OF FARMERSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 – LONG-TERM DEBT (Continued)**

***Certificates of Participation***

In October 2018, the City entered into a Certificate of Participation agreement (COP) with the Public Property Financing Corporation of California (Corporation) in connection with the United States Department of Agriculture Water & Waste Disposal Loan & Grant program. The agreement reimburses the City for allowable expenses in the form of a loan that were incurred as a result of the construction of the Wastewater Treatment Plant. The loan not-to-exceed amount of \$5,000,000, of which the City has drawn the entire available amount as of June 30, 2020, is repayable over a 50-year period beginning at the loan closing. The certificate of participation requires semi-annual payments on October 1 and April 1 of each year, bearing an interest rate equivalent to 2.75%. The 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:

	Balance June 30, 2020 (Restated)	Issued	Retired	Balance June 30, 2020	Due Within One Year
<i>Direct Placement:</i>					
State Water Resources Control Board Loan	\$ 10,721,370	\$ 2,494,410	\$ -	\$ 13,215,780	\$ -
Certificates of Participation	<u>4,858,000</u>	<u>-</u>	<u>(74,000)</u>	<u>4,784,000</u>	<u>76,000</u>
Total business-type activities	<u>\$ 15,579,370</u>	<u>\$ 2,494,410</u>	<u>\$ (74,000)</u>	<u>\$ 17,999,780</u>	<u>\$ 76,000</u>

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

Fiscal Years Ending June 30,	Principal	Interest	Total
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	85,000	122,842	207,842
2027-2031	461,000	578,181	1,039,181
2032-2036	527,000	511,455	1,038,455
2037-2041	604,000	434,564	1,038,564
2042-2046	692,000	346,773	1,038,773
2047-2051	792,000	246,244	1,038,244
2052-2056	907,000	131,125	1,038,125
2057-2058	<u>399,000</u>	<u>16,528</u>	<u>415,528</u>
Total	<u>\$ 4,784,000</u>	<u>\$ 2,901,541</u>	<u>\$ 7,685,541</u>

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021 are summarized as follows:

	<b>Miscellaneous</b>	
	<b>1st Tier</b>	<b>PEPRA</b>
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of annual salary	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	8.794%	7.732%
	<b>Safety</b>	
	<b>1st Tier</b>	<b>PEPRA</b>
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	1.426% to 2.0%	1.426% to 2.0%
Required employee contribution rates	7%	10.0%
Required employer contribution rates	14.810%	11.114%

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 \$94,948 for the fiscal year ended June 30, 2021.

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021 were \$295,827.

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

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,587,420.

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, 2020, 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, 2019, rolled forward to June 30, 2020, 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, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.0135%
Proportion - June 30, 2020	0.0146%
Change - Increase (Decrease)	0.0011%

For the year ended June 30, 2021, the City recognized a pension expense of \$518,021. At June 30, 2021, 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	\$ 468,607	\$ -
Changes of Assumptions	-	8,201
Differences between actual and expected experience	103,159	-
Net differences between projected and actual earnings on plan investments	40,612	-
Change in employer's proportion	106,248	11,218
Differences between the employer's actual contributions and the employer's proportionate share of contributions	18,512	46,445
Total	<u>\$ 737,138</u>	<u>\$ 65,864</u>

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 9 – PENSION PLAN** (Continued)

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

\$468,607 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		
2022	\$	61,502
2023		75,438
2024		45,861
2025		19,866
2026		-
Therafter		-

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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% <sup>(1)</sup>
Mortality	Derived using CalPERS' Membership Data for all Funds <sup>(2)</sup>

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

<sup>(2)</sup> 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, 2021**

**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 <sup>(a)</sup></u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10<sup>(b)</sup></u>	<u>Real Return Years 11+<sup>(c)</sup></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>		

<sup>(a)</sup> 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.

<sup>(b)</sup> An expected inflation of 2.00% used for this period

<sup>(c)</sup> An expected inflation of 2.92% used for this period

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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%
\$ 2,771,952	\$ 1,587,420	\$ 612,221

**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, 2021.

**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 Allied World National Assurance Company for a total of \$39,000,000 in coverage.

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

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

**CITY OF FARMERSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 – RISK MANAGEMENT (Continued)**

The summary financial position and results of operations for CSJVRMA, as of June 30, 2021, is presented as follows:

Total assets	\$ 150,621,596
Total liabilities	<u>129,774,819</u>
Total net position	<u>\$ 20,846,777</u>
Revenues	\$ 55,391,674
Expenses	<u>54,309,239</u>
Change in net position	<u>\$ 1,082,435</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. 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, 2021**

**NOTE 12 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**A. Long-Term Debt**

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2021 was comprised of the following:

	Balance June 30, 2020	Issued	Retired	Balance June 30, 2021	Due Within One Year	Than One Year
USDA Loan	\$ 1,653,385	\$ -	\$ (136,711)	\$ 1,516,674	\$ 142,641	\$ 1,374,033
Total long-term debt	<u>\$ 1,653,385</u>	<u>\$ -</u>	<u>\$ (136,711)</u>	<u>\$ 1,516,674</u>	<u>\$ 142,641</u>	<u>\$ 1,374,033</u>

**B. USDA Loan**

On August 11, 2009, the Farmersville Redevelopment Agency entered into loan agreement with the United States Department of Agriculture (the USDA) for construction of a community center and is secured by future property tax revenues. The loan not-to-exceed amount is \$2,971,200 and the loan will be repayable over a period not to exceed 30 years from the date of loan closing at the intermediate interest rate of 4.375%. The first interest installment is due no later than one full year from the date of loan closing. The outstanding loan balance as of June 30, 2021 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
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	168,830	36,324	205,154
2027-2030	<u>739,279</u>	<u>74,821</u>	<u>814,100</u>
Total	<u>\$ 1,516,674</u>	<u>\$ 318,582</u>	<u>\$ 1,835,256</u>

**NOTE 13 – DEFICIT FUND BALANCE**

The following funds contained a deficit fund balance or net position as of June 30, 2021. Future revenues or transfers from other funds are expected to offset these deficits.

Governmental Funds

Federal and State Grants Special Revenue Fund	\$ 129,543
Maintenance District	12,870
Drug Enforcement Fund	4,381

**CITY OF FARMERSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 14 – FUND CONSOLIDATION AND RECLASSIFICATION**

**A. Evidence Holding Fund and Livescan Fund**

During the current fiscal year, management determined that the Evidence Holding Fund and Livescan Fund were previously incorrectly classified as an agency fund. Rather, due to the nature of the activity of this fund, the City determined it would be more appropriately classified within the General Fund. Accordingly, all assets and liabilities in this fund are now being reported in the City’s General Fund. The total effect to the General Fund’s fund balance and governmental activities as a result of this adjustment was an increase of \$1,863.

**NOTE 15 – RESTATEMENT OF BEGINNING NET POSITION**

**A. Prior Period Adjustments**

Beginning net position of the Business-Type Activities in the Government-Wide Statement of Activities and of the Sewer Enterprise Fund have been restated to record a prior period adjustment as presented in the reconciliation below:

	Government-Wide Business-Type Activities	Enterprise Fund Sewer Fund
Net position, June 30, 2020, as previously reported	\$ 14,070,848	\$ 10,645,203
Prior period adjustment:		
Overstatement of long-term debt	3,775,811	3,775,811
Net position, July 1, 2020, as restated	\$ 17,846,659	\$ 14,421,014

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FARMERSVILLE  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property taxes	\$ 1,405,323	\$ 1,470,942	\$ 1,500,842	\$ 29,900
Sales taxes	1,561,000	2,340,000	2,770,742	430,742
Cannabis taxes	1,020,000	1,020,000	1,451,278	431,278
Other taxes	137,000	160,000	182,142	22,142
Licenses and permits	86,540	86,540	107,151	20,611
Charges for services	259,317	189,533	310,045	120,512
Intergovernmental	15,000	225,529	267,415	41,886
Fines and penalties	18,500	18,500	39,445	20,945
Investment income	10,325	10,325	(50,592)	(60,917)
Rent	188,080	218,421	218,408	(13)
Miscellaneous revenue	10,000	10,000	59,370	49,370
Total revenues	<u>4,711,085</u>	<u>5,749,790</u>	<u>6,856,246</u>	<u>1,106,456</u>
<b>EXPENDITURES</b>				
Current:				
City council	15,000	15,000	4,452	10,548
Administration	569,530	601,497	503,262	98,235
City properties	49,200	49,200	53,737	(4,537)
Public safety:				
Law enforcement	2,182,312	2,348,552	2,316,661	31,891
Fire services	462,655	464,896	491,976	(27,080)
Animal control	73,865	73,865	74,534	(669)
Buildings, grounds and parks	229,095	329,095	423,593	(94,498)
Community development	347,967	522,967	533,867	(10,900)
Capital outlay	445,672	445,672	246,010	199,662
Debt service:				
Principal	-	-	47,067	(47,067)
Total expenditures	<u>4,375,296</u>	<u>4,850,744</u>	<u>4,695,159</u>	<u>155,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>335,789</u>	<u>899,046</u>	<u>2,161,087</u>	<u>1,262,041</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	712,639	1,037,639	91	(1,037,548)
Transfers out	<u>(712,639)</u>	<u>(1,168,424)</u>	<u>(155,784)</u>	<u>1,012,640</u>
Total other financing sources (uses)	<u>-</u>	<u>(130,785)</u>	<u>(155,693)</u>	<u>(24,908)</u>
Net change in fund balance	335,789	768,261	2,005,394	1,237,133
Fund balances - beginning			<u>3,345,755</u>	
Fund balances - ending			<u>\$ 5,351,149</u>	

**CITY OF FARMERSVILLE  
BUDGETARY COMPARISON SCHEDULE  
FEDERAL AND STATE GRANTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,271,000	\$ 1,271,000	\$ 586,731	\$ (684,269)
Total revenues	<u>1,271,000</u>	<u>1,271,000</u>	<u>586,731</u>	<u>(684,269)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>1,271,000</u>	<u>1,271,000</u>	<u>787,228</u>	<u>483,772</u>
Total expenditures	<u>1,271,000</u>	<u>1,271,000</u>	<u>787,228</u>	<u>483,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(200,497)</u>	<u>(200,497)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>130,784</u>	<u>130,784</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>130,784</u>	<u>130,784</u>
Net change in fund balance	-	-	(69,713)	(69,713)
Fund balances - beginning			<u>(59,830)</u>	
Fund balances - ending			<u>\$ (129,543)</u>	

**CITY OF FARMERSVILLE  
BUDGETARY COMPARISON SCHEDULE  
STREET TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 8,409,920	\$ 8,613,002	\$ 3,593,906	\$ (5,019,096)
Investment income	<u>30,686</u>	<u>30,686</u>	<u>35,179</u>	<u>4,493</u>
Total revenues	<u>8,440,606</u>	<u>8,643,688</u>	<u>3,629,085</u>	<u>(5,014,603)</u>
<b>EXPENDITURES</b>				
Current:				
Street construction and maintenance	665,715	662,603	572,595	90,008
Capital outlay	<u>8,090,000</u>	<u>8,115,000</u>	<u>2,869,414</u>	<u>5,245,586</u>
Total expenditures	<u>8,755,715</u>	<u>8,777,603</u>	<u>3,442,009</u>	<u>5,335,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(315,109)</u>	<u>(133,915)</u>	<u>187,076</u>	<u>320,991</u>
Other Financing Sources (Uses):				
Transfers in	32,000	32,000	-	32,000
Transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(91)</u>	<u>(31,909)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(91)</u>	<u>91</u>
Net change in fund balance	(315,109)	(133,915)	186,985	321,082
Fund balances - beginning			<u>4,861,332</u>	
Fund balances - ending			<u>\$ 5,048,317</u>	

**CITY OF FARMERSVILLE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**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, 2021, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Current:			
City properties	49,200	53,737	(4,537)
Public safety:			
Fire services	464,896	491,976	(27,080)
Animal control	73,865	74,534	(669)
Buildings, grounds and parks	329,095	423,593	(94,498)
Community development	522,967	533,867	(10,900)
Debt service:			
Principal	-	47,067	(47,067)

**CITY OF FARMERSVILLE  
PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2021  
LAST 10 YEARS\***

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

**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, 2021  
LAST 10 YEARS\***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 205,326	\$ 254,448	\$ 264,521	\$ 281,161	\$ 282,522	\$ 285,899	\$ 295,827	\$ 468,607
Contributions in relation to the actuarially determined contributions	<u>205,326</u>	<u>254,448</u>	<u>264,521</u>	<u>281,161</u>	<u>282,522</u>	<u>285,899</u>	<u>295,827</u>	<u>468,607</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered payroll	\$ 1,340,829	\$ 1,637,780	\$ 1,898,078	\$ 1,899,060	\$ 1,709,690	\$ 1,869,089	\$ 1,970,290	\$ 2,070,869
Contributions as a percentage of covered payroll	15.31%	15.54%	13.94%	14.81%	16.52%	15.30%	15.01%	22.63%

\*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, 2021**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 804,388	\$ 154,644	\$ 959,032
Receivables (net of allowance for uncollectibles):			
Intergovernmental receivables	<u>95,809</u>	<u>-</u>	<u>95,809</u>
Total assets	<u>\$ 900,197</u>	<u>\$ 154,644</u>	<u>\$ 1,054,841</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 16,237	\$ -	\$ 16,237
Salaries and benefits payable	3,813	-	3,813
Due to other funds	86,289	-	86,289
Unearned revenue	<u>13,920</u>	<u>-</u>	<u>13,920</u>
Total liabilities	<u>120,259</u>	<u>-</u>	<u>120,259</u>
<b>FUND BALANCES</b>			
Restricted for:			
Public safety	231,438	-	231,438
Community development	382,576	-	382,576
Capital maintenance	183,175	154,644	337,819
Unassigned	<u>(17,251)</u>	<u>-</u>	<u>(17,251)</u>
Total fund balances	<u>779,938</u>	<u>154,644</u>	<u>934,582</u>
Total liabilities and fund balances	<u>\$ 900,197</u>	<u>\$ 154,644</u>	<u>\$ 1,054,841</u>

**CITY OF FARMERSVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Developer fees	\$ 4,524	\$ 295	\$ 4,819
Charges for services	63,349	-	63,349
Intergovernmental	622,756	-	622,756
Investment income	<u>7,068</u>	<u>1,416</u>	<u>8,484</u>
 Total revenues	 <u>697,697</u>	 <u>1,711</u>	 <u>699,408</u>
 <b>EXPENDITURES</b>			
Current:			
Public safety:			
Law enforcement	312,721	-	312,721
Street construction and maintenance	117,729	-	117,729
Community development	7,342	-	7,342
Capital outlay	<u>247,216</u>	<u>-</u>	<u>247,216</u>
 Total expenditures	 <u>685,008</u>	 <u>-</u>	 <u>685,008</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>12,689</u>	 <u>1,711</u>	 <u>14,400</u>
 Other Financing Sources (Uses):			
Transfers in	<u>25,000</u>	<u>-</u>	<u>25,000</u>
 Total other financing sources (uses)	 <u>25,000</u>	 <u>-</u>	 <u>25,000</u>
 Net changes in fund balances	 37,689	 1,711	 39,400
 Fund balances - beginning	 <u>742,249</u>	 <u>152,933</u>	 <u>895,182</u>
 Fund balances - ending	 <u>\$ 779,938</u>	 <u>\$ 154,644</u>	 <u>\$ 934,582</u>

**CITY OF FARMERSVILLE  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2021**

	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
<b>ASSETS</b>										
Cash and investments	\$ -	\$ -	\$ 171,699	\$ 17,044	\$ 230,772	\$ 2,297	\$ 56,607	\$ 259,210	\$ 66,759	\$ 804,388
Intergovernmental receivables	<u>93,402</u>	<u>468</u>	<u>-</u>	<u>-</u>	<u>1,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,809</u>
Total assets	<u>\$ 93,402</u>	<u>\$ 468</u>	<u>\$ 171,699</u>	<u>\$ 17,044</u>	<u>\$ 232,711</u>	<u>\$ 2,297</u>	<u>\$ 56,607</u>	<u>\$ 259,210</u>	<u>\$ 66,759</u>	<u>\$ 900,197</u>
<b>LIABILITIES</b>										
Accounts payable	\$ 557	\$ 7,825	\$ 350	\$ 7,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,237
Salaries and benefits payable	-	243	-	-	3,570	-	-	-	-	3,813
Due to other funds	81,019	5,270	-	-	-	-	-	-	-	86,289
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,920</u>
Total liabilities	<u>81,576</u>	<u>13,338</u>	<u>350</u>	<u>21,425</u>	<u>3,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,259</u>
<b>FUND BALANCES</b>										
Restricted for:										
Public safety	-	-	-	-	229,141	2,297	-	-	-	231,438
Community development	-	-	-	-	-	-	56,607	259,210	66,759	382,576
Capital maintenance	11,826	-	171,349	-	-	-	-	-	-	183,175
Unassigned	<u>-</u>	<u>(12,870)</u>	<u>-</u>	<u>(4,381)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,251)</u>
Total fund balances	<u>11,826</u>	<u>(12,870)</u>	<u>171,349</u>	<u>(4,381)</u>	<u>229,141</u>	<u>2,297</u>	<u>56,607</u>	<u>259,210</u>	<u>66,759</u>	<u>779,938</u>
Total liabilities and fund balances	<u>\$ 93,402</u>	<u>\$ 468</u>	<u>\$ 171,699</u>	<u>\$ 17,044</u>	<u>\$ 232,711</u>	<u>\$ 2,297</u>	<u>\$ 56,607</u>	<u>\$ 259,210</u>	<u>\$ 66,759</u>	<u>\$ 900,197</u>

**CITY OF FARMERSVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	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
<b>REVENUES</b>										
Developer fees	\$ 99	\$ -	\$ 4,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,524
Charges for services	-	63,349	-	-	-	-	-	-	-	63,349
Intergovernmental	241,756	-	-	-	156,727	-	59,056	134,417	30,800	622,756
Investment income	173	-	2,229	-	2,209	22	166	1,844	425	7,068
<b>Total revenues</b>	<b>242,028</b>	<b>63,349</b>	<b>6,654</b>	<b>-</b>	<b>158,936</b>	<b>22</b>	<b>59,222</b>	<b>136,261</b>	<b>31,225</b>	<b>697,697</b>
<b>EXPENDITURES</b>										
Current:										
Public safety:										
Law enforcement	-	-	141,480	-	170,749	492	-	-	-	312,721
Street construction and maintenance	831	116,898	-	-	-	-	-	-	-	117,729
Community development	-	-	-	-	-	-	6,142	350	850	7,342
Capital outlay	238,846	-	8,370	-	-	-	-	-	-	247,216
<b>Total expenditures</b>	<b>239,677</b>	<b>116,898</b>	<b>149,850</b>	<b>-</b>	<b>170,749</b>	<b>492</b>	<b>6,142</b>	<b>350</b>	<b>850</b>	<b>685,008</b>
Excess (deficiency) of revenues over (under) expenditures	2,351	(53,549)	(143,196)	-	(11,813)	(470)	53,080	135,911	30,375	12,689
Other Financing Sources (Uses):										
Transfers in	-	25,000	-	-	-	-	-	-	-	25,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,000</b>
<b>Net changes in fund balances</b>	<b>2,351</b>	<b>(28,549)</b>	<b>(143,196)</b>	<b>-</b>	<b>(11,813)</b>	<b>(470)</b>	<b>53,080</b>	<b>135,911</b>	<b>30,375</b>	<b>37,689</b>
Fund balances - beginning	9,475	15,679	314,545	(4,381)	240,954	2,767	3,527	123,299	36,384	742,249
<b>Fund balances - ending</b>	<b>\$ 11,826</b>	<b>\$ (12,870)</b>	<b>\$ 171,349</b>	<b>\$ (4,381)</b>	<b>\$ 229,141</b>	<b>\$ 2,297</b>	<b>\$ 56,607</b>	<b>\$ 259,210</b>	<b>\$ 66,759</b>	<b>\$ 779,938</b>

**CITY OF FARMERSVILLE  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUND  
JUNE 30, 2021**

	<u>Storm Drain Development Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>154,644</u>
Total assets	\$ <u><u>154,644</u></u>
<b>FUND BALANCES</b>	
Restricted for:	
Capital maintenance	\$ <u>154,644</u>
Total fund balances	<u>154,644</u>
Total fund balances	\$ <u><u>154,644</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, 2021**

	<u>Storm Drain Development Fund</u>
<b>REVENUES</b>	
Developer fees	\$ 295
Investment income	<u>1,416</u>
Total revenues	<u>1,711</u>
<b>EXPENDITURES</b>	
Current:	
Street construction and maintenance	<u>-</u>
Total expenditures	<u>-</u>
Net change in fund balance	1,711
Fund balance - beginning	<u>152,933</u>
Fund balance - ending	<u>\$ 154,644</u>