

VII. Regular Agenda

Agenda Section	Regular Agenda
Section Number	VII.A
Subject	Presentation of City audit report.
To	Mayor and Council Members
From	Ben White, City Manager
Date	June 13, 2017
Attachment(s)	<ul style="list-style-type: none"> • Representation letter • Draft Audit Report
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	<ul style="list-style-type: none"> • City Council discussion as required
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

June 8, 2017



BrooksCardiel, PLLC,
1095 Evergreen Circle,
The Woodlands, Texas 77380

This representation letter is provided in connection with your audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmersville, Texas (the "City") as of September 30, 2016 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 8, 2017:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 15, 2015 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.

- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes,⁷ and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance. (if applicable)

Material Audit Adjustments

Material adjustments to the books were proposed and accepted.

We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.

Reported Findings

The auditor has reported findings, conclusions, or recommendations.

We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.

Pension and Postretirement Benefits

An actuary has been used to measure pension liabilities and costs.

We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.



Benjamin White, City Manager



Daphne Hamlin, Finance Director

ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2016



Farmersville
DISCOVER A TEXAS TREASURE

The City of Farmersville
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City of Farmersville, Texas

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September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the City Council
City of Farmersville, Texas:**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, discretely presented component units, and the aggregate remaining fund information of the City of Farmersville, Texas (the "City"), as of and for the year ended September 30, 2016, 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

The City's 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. 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 opinion

Opinion

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, discretely presented component units, and the aggregate remaining fund information of the City as of September 30, 2016, 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.

Emphasis of Matter

Correction of an Error

As discussed in Note V.E to the financial statements, beginning fund balance and net position has been restated to reflect a correction of an error in the 2015 financial statements. Our opinion is not modified with respect to this matter.

Other Matters

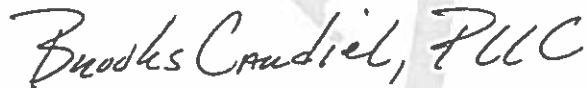
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and budgetary comparison information 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 Supplementary Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
June 8, 2017

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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Farmersville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2016

As management of the City of Farmersville, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

Financial Highlights

- The City's total combined net position was \$9,067,505 at September 30, 2016. Of this, \$3,275,738 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,771,215, an increase of \$287,153.
- As of the end of the year, the unassigned fund balance of the general fund was \$946,577 or 26% of total general fund expenditures.
- The City had an overall increase in net position of \$14,523, which is due to revenues exceeding expenses that occurred in the current year.
- The City closed the year with a net pension liability of \$667,123.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide 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 financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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

City of Farmersville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

reported for some items that will only result in cash flows in future fiscal periods (e.g., 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 include general government, public safety, community development, library and civic center, and public works. The business-type activities of the City include a water, wastewater, electric and refuse operations.

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 and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the 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 government'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 of Farmersville, Texas maintains twelve 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 and debt service fund, the General, Debt Service, and Capital Projects funds are considered to be major funds. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Farmersville, Texas adopts an annual appropriated budget for its general, debt service and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget and debt service fund.

City of Farmersville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

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 statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, electric and refuse operations. The proprietary fund financial statements provide separate information for the water, wastewater, electric and refuse funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements. The notes to the financial statements provide additional information that is necessary to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pension and OPEB.

Government-Wide Financial Analysis

As noted previously, net position over time, may serve as a useful indicator of the City's financial position. For the City of Farmersville, Texas, assets exceed liabilities by \$9,067,505 as of year end.

The largest portion of the City's net position, \$5,517,123, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and utility systems, as well as the public works facilities), less any debt used to acquire those assets that is 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 assets themselves cannot be used to liquidate these liabilities.

City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2016			2015		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 4,139,463	\$ 2,626,671	\$ 6,766,134	\$ 4,355,264	\$ 3,104,210	\$ 7,459,474
Capital assets, net	7,378,434	5,373,048	12,751,482	7,264,121	5,241,483	12,505,604
Total Assets	11,517,897	7,999,719	19,517,616	11,619,385	8,345,693	19,965,078
Deferred Outflows	329,047	100,668	429,715	158,192	39,611	197,803
Other liabilities	927,009	590,557	1,517,566	861,692	673,279	1,534,971
Long-term liabilities	8,914,244	431,517	9,345,761	9,048,889	477,713	9,526,602
Total Liabilities	9,841,253	1,022,074	10,863,327	9,910,581	1,150,992	11,061,573
Deferred Inflows	12,257	4,242	16,499	36,182	12,144	48,326
Net Position:						
Net investment in capital assets	524,075	4,993,048	5,517,123	820,439	4,736,483	5,556,922
Restricted	274,644	-	274,644	201,021	-	201,021
Unrestricted	1,194,715	2,081,023	3,275,738	809,354	2,485,685	3,295,039
Total Net Position	\$ 1,993,434	\$ 7,074,071	\$ 9,067,505	\$ 1,830,814	\$ 7,222,168	\$ 9,052,982

City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Statement of Activities:

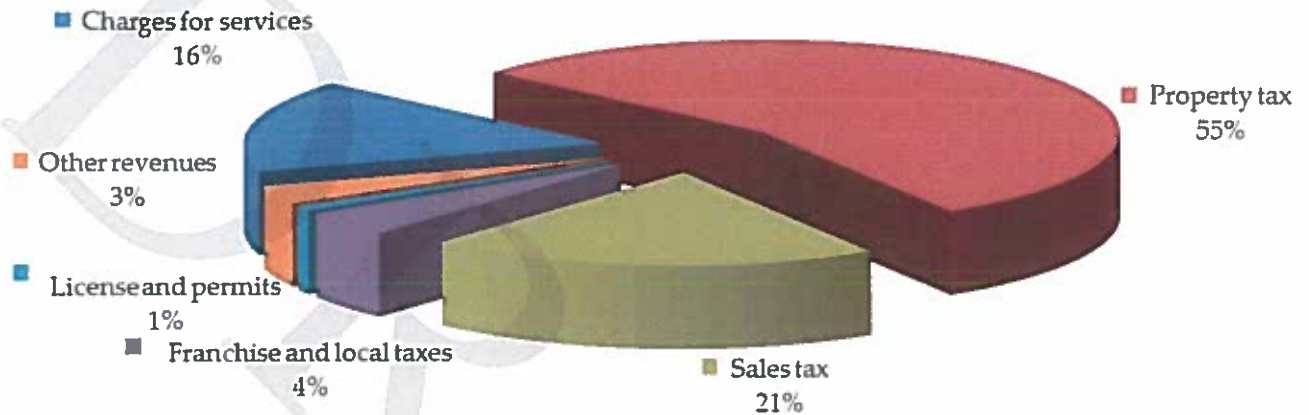
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2016			For the Year Ended September 30, 2015		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 436,222	\$ 6,479,739	\$ 6,915,961	\$ 378,053	\$ 6,369,376	\$ 6,747,429
Grants and contributions	145,376	-	145,376	61,282	-	61,282
General revenues:						
Property tax	1,487,336	-	1,487,336	1,292,941	-	1,292,941
Sales tax	557,235	-	557,235	458,600	-	458,600
Franchise and local taxes	117,894	-	117,894	116,446	-	116,446
License and permits	23,386	-	23,386	39,217	-	39,217
Investment income	16,279	4,521	20,800	1,688	900	2,588
Other revenues	72,209	-	72,209	120,998	-	120,998
Total Revenues	2,855,937	6,484,260	9,340,197	2,469,225	6,370,276	8,839,501
Expenses						
General government	661,531	-	661,531	473,794	-	473,794
Public safety	1,633,833	-	1,633,833	1,523,010	-	1,523,010
Public works	1,224,984	-	1,224,984	1,043,098	-	1,043,098
Culture and recreation	99,588	-	99,588	274,197	-	274,197
Library and civic center	196,674	-	196,674	168,401	-	168,401
Interest and fiscal charges	271,051	-	271,051	276,817	-	276,817
Water	-	1,301,330	1,301,330	-	1,208,881	1,208,881
Wastewater	-	667,512	667,512	-	576,748	576,748
Electric	-	2,918,361	2,918,361	-	2,707,671	2,707,671
Refuse	-	350,811	350,811	-	376,245	376,245
Total Expenses	4,087,660	5,238,014	9,325,674	3,759,317	4,869,545	8,628,862
Change in Net Position						
Before Transfers	(1,231,723)	1,246,246	14,523	(1,290,092)	1,500,731	210,639
Transfers in (out)	1,394,343	(1,394,343)	-	324,563	(324,563)	-
Total	1,394,343	(1,394,343)	-	324,563	(324,563)	-
Change in Net Position	162,620	(148,097)	14,523	(965,529)	1,176,168	210,639
Beginning Net Position	1,830,814	7,222,168	9,052,982	2,796,343	6,046,000	8,842,343
Ending Net Position	\$ 1,993,434	\$ 7,074,071	\$ 9,067,505	\$ 1,830,814	\$ 7,222,168	\$ 9,052,982

City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

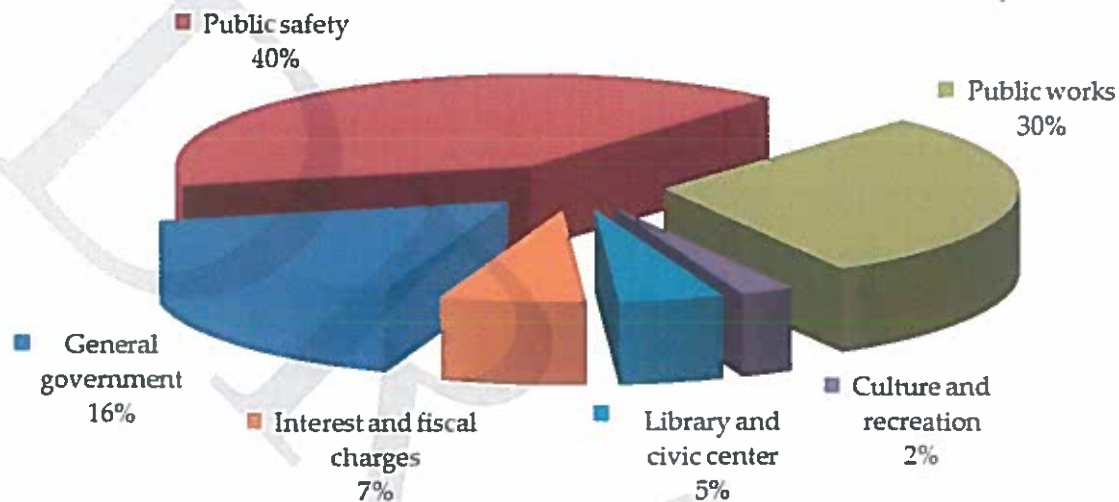


For the year ended September 30, 2016, revenues from governmental activities totaled \$2,855,937. Property tax sales tax, and charges for services are the City's largest revenue sources. Property tax increased \$194,395 or 15% due to economic growth and increasing appraisal values. Sales taxes increased \$98,635 or 22% due to economic growth. License and permits decreased \$15,831 or 40%, which was expected and budgeted for due to the current decline in new development. Investment income increased \$14,591 or 864% due to bond funds received in the prior year held within investment accounts. Other revenues decreased \$48,789 or 40% due to minor decreases in various miscellaneous revenue accounts.

City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2016, expenses for governmental activities totaled \$4,087,660. This represents an increase of \$328,343 or 4% from the prior year. The City's largest functional expenses are public safety of \$1,633,833 and public works of \$1,224,984. General government increased by \$187,737 or 40% as a result of additional maintenance costs and professional fees. Public works increased by \$181,886 or 17% due to additional repairs and maintenance costs. Culture and recreation decreased \$174,609 or 64% due to a reduction of Chapparral Grant activities. Library and civic center increased \$28,273 or 17% primarily due to an increase in personnel costs.

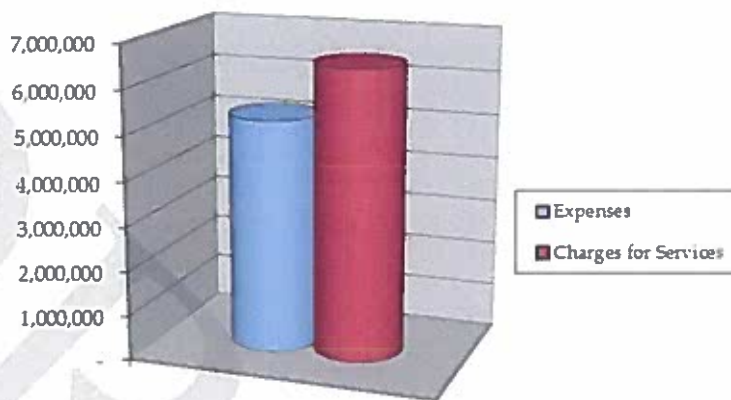
City of Farmersville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2016

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2016, charges for services by business-type activities totaled \$6,479,739. This is consistent with the prior year with only an increase of \$110,363, or 2%.

Total expenses increased \$368,469 or 8%. This primarily consists of an increase in water costs, sewer fund maintenance costs and an increased cost in electricity supply purchases.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a total fund balance of \$946,577. The general fund demonstrated a decrease of \$136,257. During the year the general fund received \$90,083 more revenue than budgeted, offset by experiencing \$105,183 more costs than planned, resulting in a negative budget variance of \$15,100 before transfers.

There was an overall decrease in governmental fund balance of \$287,153. This is primarily due to the increase in capital expenditures with no offsetting bond issuance in the current year.

City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total negative budget variance of \$57,866 in the general fund. Total budgeted revenues were \$90,083 more than budgeted, expenditures were \$105,183 more than budgeted, and other financing sources and uses have a negative budget variance of \$42,766.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$7,378,434 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$5,373,048 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- The addition of three public safety vehicles totaling \$106,039
- The addition of public works equipment for \$206,572
- The addition of construction to infrastructure totaling \$539,581
- The transfer of assets from governmental to business-type funds in the amount of \$122,384

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$7,980,000. During the year, the City had a net reduction in bonds of \$450,000. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Farmersville, Texas and improving services provided to their public citizens. The City is budgeting to maintain services in the upcoming year and does not anticipate significant changes from fiscal year ending September 30, 2016.

City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Farmersville, Texas's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Manager, 205 S. Main, Farmersville, Texas 75442, (972) 782-6151.

FINANCIAL STATEMENTS

City of Farmersville, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2016

		Primary Government		
		Governmental Activities	Business-Type Activities	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$	3,529,924	\$ 2,032,428	\$ 5,562,352
Receivables, net		306,409	897,373	1,203,782
Internal balances		303,130	(303,130)	-
Total Current Assets		4,139,463	2,626,671	6,766,134
Capital assets:				
Non-depreciable		1,801,521	437,193	2,238,714
Net depreciable capital assets		5,576,913	4,935,855	10,512,768
		7,378,434	5,373,048	12,751,482
Total Assets		11,517,897	7,999,719	19,517,616
<u>Deferred Outflows of Resources</u>				
Pension contributions		91,134	31,539	122,673
Pension investment earnings		199,752	69,129	268,881
Deferred charge on refunding		38,161	-	38,161
Total Deferred Outflows of Resources		329,047	100,668	429,715

See Notes to Financial Statements.

Component Units	
Economic Development Corporation	Community Development Corporation
\$ 1,041,856	\$ 263,319
55,423	55,423
-	-
1,097,279	318,742
-	182,820
-	-
-	182,820
1,097,279	501,562
-	-
-	-
-	-
-	-

City of Farmersville, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2016

Primary Government			
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	214,995	232,587	447,582
Accrued liabilities	9,757	720	10,477
Accrued interest payable	33,182	-	33,182
Customer deposits	-	237,250	237,250
Current portion of long-term debt	669,075	120,000	789,075
	<u>927,009</u>	<u>590,557</u>	<u>1,517,566</u>
Noncurrent liabilities:			
Long-term debt	8,418,638	260,000	8,678,638
Net pension liability	495,606	171,517	667,123
	<u>8,914,244</u>	<u>431,517</u>	<u>9,345,761</u>
Total Liabilities	<u>9,841,253</u>	<u>1,022,074</u>	<u>10,863,327</u>
<u>Deferred Inflows of Resources</u>			
Pension (gains) losses	12,257	4,242	16,499
Total Deferred Inflows of Resources	<u>12,257</u>	<u>4,242</u>	<u>16,499</u>
<u>Net Position</u>			
Net investment in capital assets	524,075	4,993,048	5,517,123
Restricted for:			
Debt service	220,474	-	220,474
Library	2,513	-	2,513
Municipal court	24,628	-	24,628
Public safety	27,029	-	27,029
Community development	-	-	-
Unrestricted	1,194,715	2,081,023	3,275,738
Total Net Position	<u>\$ 1,993,434</u>	<u>\$ 7,074,071</u>	<u>\$ 9,067,505</u>

See Notes to Financial Statements.

Component Units	
Economic Development Corporation	Community Development Corporation
-	22,086
-	-
-	1,598
-	-
-	15,962
-	39,646
-	-
-	78,992
-	-
-	78,992
-	118,638
-	-
-	-
-	-
-	-
-	-
-	-
1,097,279	382,924
-	-
<u>\$ 1,097,279</u>	<u>\$ 382,924</u>

City of Farmersville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 661,531	\$ 305,029	\$ 145,376	\$ -
Municipal court	181,591	-	-	-
Library and civic center	196,674	-	-	-
Public safety	1,452,241	131,193	-	-
Public works	1,224,984	-	-	-
Community development	99,588	-	-	-
Interest and fiscal charges	271,051	-	-	-
Total Governmental Activities	4,087,660	436,222	145,376	-
Business-Type Activities				
Water	1,301,330	1,153,296	-	-
Wastewater	667,512	1,151,950	-	-
Electric	2,918,361	3,723,814	-	-
Refuse	350,811	450,679	-	-
Total Business-Type Activities	5,238,014	6,479,739	-	-
Total Primary Government	\$ 9,325,674	\$ 6,915,961	\$ 145,376	\$ -
Component Units				
Economic Development Corporation	197,116	-	-	-
Community Development Corporation	220,026	-	-	-
Total Component Units	\$ 417,142	\$ -	\$ -	\$ -
General Revenues:				
Taxes				
Property tax				
Sales tax				
Franchise and local taxes				
License and permits				
Investment income				
Other revenues				
Transfers				
Transfer of assets				
Total General Revenues and Transfers				
Change in Net Position				
Beginning Net Position				
Ending Net Position				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Componit Units	
Primary Government			Economic	Community
Governmental	Business-Type	Total	Development	Development
Activities	Activities		Corporation	Corporation
\$ (211,126)	\$ -	\$ (211,126)	\$ -	\$ -
(181,591)	-	(181,591)	-	-
(196,674)	-	(196,674)	-	-
(1,321,048)	-	(1,321,048)	-	-
(1,224,984)	-	(1,224,984)	-	-
(99,588)	-	(99,588)	-	-
(271,051)	-	(271,051)	-	-
(3,506,062)	-	(3,506,062)	-	-
-	(148,034)	(148,034)	-	-
-	484,438	484,438	-	-
-	805,453	805,453	-	-
-	99,868	99,868	-	-
-	1,241,725	1,241,725	-	-
(3,506,062)	1,241,725	(2,264,337)	-	-
-	-	-	(197,116)	-
-	-	-	-	(220,026)
-	-	-	(197,116)	(220,026)
1,487,336	-	1,487,336	-	-
557,235	-	557,235	278,618	278,618
117,894	-	117,894	-	-
23,386	-	23,386	-	-
16,279	4,521	20,800	2,692	290
72,209	-	72,209	-	20,756
1,516,727	(1,516,727)	-	21,126	(21,126)
(122,384)	122,384	-	-	-
3,668,682	(1,389,822)	2,278,860	302,436	278,538
162,620	(148,097)	14,523	105,320	58,512
1,830,814	7,222,168	9,052,982	991,959	324,412
\$ 1,993,434	\$ 7,074,071	\$ 9,067,505	\$ 1,097,279	\$ 382,924

City of Farmersville, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 872,773	\$ 208,763	\$ 2,279,727	\$ 168,661
Receivables, net				
Property taxes	88,375	55,121	-	-
Sales tax	110,845	-	-	-
Franchise taxes	29,931	-	-	-
Other receivables	22,137	-	-	-
Due from other funds	132,268	11,711	96,271	130,333
Total Assets	\$ 1,256,329	\$ 275,595	\$ 2,375,998	\$ 298,994
<u>Liabilities</u>				
Accounts payable	\$ 211,620	\$ -	\$ 3,245	\$ 130
Accrued liabilities	9,757	-	-	-
Due to other funds	-	-	11,711	55,742
Total Liabilities	221,377	-	14,956	55,872
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	88,375	55,121	-	-
Total Deferred Inflows	88,375	55,121	-	-
<u>Fund Balances</u>				
Nonspendable:				
Restricted for:				
Debt service	-	220,474	-	-
Capital projects	-	-	2,361,042	-
Library	-	-	-	2,513
Municipal court	-	-	-	24,628
Public safety	-	-	-	27,029
Committed for:				
Other purposes	-	-	-	244,694
Unassigned	946,577	-	-	(55,742)
Total Fund Balances	946,577	220,474	2,361,042	243,122
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,256,329	\$ 275,595	\$ 2,375,998	\$ 298,994

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 3,529,924

143,496

110,845

29,931

22,137

370,583

\$ 4,206,916

\$ 214,995

9,757

67,453

292,205

143,496

143,496

220,474

2,361,042

2,513

24,628

27,029

244,694

890,835

3,771,215

\$ 4,206,916

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City of Farmersville, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2016

Fund Balances - Total Governmental Funds	\$ 3,771,215
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,801,521
Capital assets - net depreciable	5,576,913
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	143,496
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.	
Pension contributions	91,134
Pension investment earnings	199,752
Deferred charge on refunding	38,161
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
Pension losses on investments	(12,257)
Some liabilities, including bonds payable and deferred charges are not reported as liabilities in the governmental funds.	
Accrued interest	(33,182)
Premiums on bonds payable	(462,959)
Non-current liabilities due in one year	(669,075)
Non-current liabilities due in more than one year	(7,955,679)
Net pension liability	(495,606)
	<u><u>\$ 1,993,434</u></u>

City of Farmersville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds
Revenues				
Property tax	\$ 606,904	\$ 803,600	\$ -	\$ 61,928
Sales tax	557,235	-	-	-
Franchise and local taxes	117,894	-	-	-
License and permits	23,386	-	-	-
Charges for services	170,375	-	-	-
Fines and forfeitures	122,314	-	-	12,340
Intergovernmental	131,193	-	-	-
Donations and contributions	-	-	-	145,376
Investment income	2,858	970	12,340	111
Other revenues	72,209	-	-	-
Total Revenues	1,804,368	804,570	12,340	219,755
Expenditures				
Current:				
Mayor and city council	13,064	-	-	-
Administration	668,458	-	-	-
Library and civic center	192,175	-	-	-
Municipal court	178,183	-	-	1,638
Police	1,030,116	-	-	-
Fire and EMS	283,259	-	-	-
Public works	748,939	-	-	-
Culture and recreation	-	-	-	73,512
Debt service:				
Principal	156,887	450,000	-	-
Interest and fiscal charges	19,700	275,232	2,250	-
Capital outlay	286,088	-	551,500	-
Total Expenditures	3,576,869	725,232	553,750	75,150
Revenues Over (Under) Expenditures	(1,772,501)	79,338	(541,410)	144,605
Other Financing Sources (Uses)				
Transfers in	1,516,727	-	-	166,571
Transfers (out)	(166,571)	-	-	-
Proceeds from debt issuance	286,088	-	-	-
Total Other Financing Sources (Uses)	1,636,244	-	-	166,571
Net Change in Fund Balances	(136,257)	79,338	(541,410)	311,176
Beginning fund balances	1,082,834	141,136	2,902,452	(68,054)
Ending Fund Balances	\$ 946,577	\$ 220,474	\$ 2,361,042	\$ 243,122

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	1,472,432
	557,235
	117,894
	23,386
	170,375
	134,654
	131,193
	145,376
	16,279
	72,209
	<u>2,841,033</u>

	13,064
	668,458
	192,175
	179,821
	1,030,116
	283,259
	748,939
	73,512

	606,887
	297,182
	837,588
	<u>4,931,001</u>
	(2,089,968)

	1,683,298
	(166,571)
	286,088
	<u>1,802,815</u>
	(287,153)
	4,058,368
\$	<u><u>3,771,215</u></u>

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City of Farmersville, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

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

Net changes in fund balances - total governmental funds	\$	(287,153)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	908,855
Depreciation expense	(662,958)
Net disposal of capital asset	(9,200)
Transfer of assets to business-type activities	(122,384)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,904
--	--------

Some expenses 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.

Compensated absences	(3,800)
Accrued interest	3,450
Pension expense	(22,573)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of notes payable	(286,088)
Amortization of deferred charges on refunding	(2,008)
Amortization of debt premium	24,688
Principal payments	606,887

Change in Net Position of Governmental Activities	\$	162,620
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See Notes to Financial Statements.

City of Farmersville, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,094,832	\$ 369,918	\$ 563,522	\$ 4,156
Accounts and other receivables	147,673	117,671	575,234	56,795
Due from other funds	-	381,215	-	61,165
Total Current Assets	1,242,505	868,804	1,138,756	122,116
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	65,285	-	371,908	-
Net depreciable capital assets	3,389,157	925,635	621,063	-
Total Noncurrent Assets	3,454,442	925,635	992,971	-
Total Assets	4,696,947	1,794,439	2,131,727	122,116
<u>Deferred Outflows of Resources</u>				
Pension contributions	9,838	-	21,701	-
Pension investment earnings	21,564	-	47,565	-
Total Deferred Outflows of Resources	31,402	-	69,266	-
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable	44,738	15,195	136,966	35,688
Accrued liabilities	-	-	720	-
Customer deposits	73,735	-	163,515	-
Due to other funds	364,295	-	381,215	-
Current portion of long-term debt	-	-	120,000	-
Total Current Liabilities	482,768	15,195	802,416	35,688
<u>Noncurrent Liabilities</u>				
Long-term debt	-	-	260,000	-
Net pension liability	53,503	-	118,014	-
Total Liabilities	536,271	15,195	1,180,430	35,688
<u>Deferred Inflows of Resources</u>				
Pension (gains) losses	1,323	-	2,919	-
Total Deferred Inflows of Resources	1,323	-	2,919	-
<u>Net Position</u>				
Net investment in capital assets	3,454,442	925,635	612,971	-
Unrestricted	736,313	853,609	404,673	86,428
Total Net Position	\$ 4,190,755	\$ 1,779,244	\$ 1,017,644	\$ 86,428

See Notes to Financial Statements.

Total Proprietary Funds	
\$	2,032,428
	897,373
	442,380
	<u>3,372,181</u>
	437,193
	<u>4,935,855</u>
	<u>5,373,048</u>
	<u>8,745,229</u>
	31,539
	<u>69,129</u>
	<u>100,668</u>
	232,587
	720
	237,250
	745,510
	120,000
	<u>1,336,067</u>
	260,000
	<u>171,517</u>
	<u>1,767,584</u>
	4,242
	<u>4,242</u>
	4,993,048
	<u>2,081,023</u>
\$	<u><u>7,074,071</u></u>

City of Farmersville, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility
<u>Operating Revenues</u>				
Utility sales	\$ 1,130,182	\$ 918,223	\$ 3,663,578	\$ 444,076
Service fees	15,871	30,799	60,236	6,603
Penalties and fees	7,243	-	-	-
Total Operating Revenues	1,153,296	949,022	3,723,814	450,679
<u>Operating Expenses</u>				
Personnel	278,876	109,583	525,297	-
Contract and professional services	46,461	27,926	76,936	341,300
Maintenance	104,238	408,072	71,595	-
Operations	10,533	24,450	2,073,225	6,455
Supplies	604,628	13,552	44,237	-
Miscellaneous	33,562	13,417	58,057	3,056
Depreciation	223,032	70,512	64,477	-
Total Operating Expenses	1,301,330	667,512	2,913,824	350,811
Operating Income (Loss)	(148,034)	281,510	809,990	99,868
<u>Nonoperating Revenues (Expenses)</u>				
Intergovernmental	-	202,928	-	-
Investment income	2,160	2,174	-	187
Interest expense	-	-	(4,537)	-
Total Nonoperating Revenues (Expenses)	2,160	205,102	(4,537)	187
Income (Loss) Before Transfers	(145,874)	486,612	805,453	100,055
Transfers (out)	(121,874)	(252,780)	(939,206)	(202,867)
Transfer of assets	122,384	-	-	-
Change in Net Position	(145,364)	233,832	(133,753)	(102,812)
Beginning net position	4,336,119	1,545,412	1,151,397	189,240
Ending Net Position	\$ 4,190,755	\$ 1,779,244	\$ 1,017,644	\$ 86,428

See Notes to Financial Statements.

Total Proprietary Funds	
\$	6,156,059
	113,509
	7,243
	<u>6,276,811</u>
	913,756
	492,623
	583,905
	2,114,663
	662,417
	108,092
	358,021
	<u>5,233,477</u>
	<u>1,043,334</u>
	202,928
	4,521
	<u>(4,537)</u>
	<u>202,912</u>
	1,246,246
	(1,516,727)
	<u>122,384</u>
	(148,097)
	<u>7,222,168</u>
\$	<u><u>7,074,071</u></u>

City of Farmersville, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2016

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 1,169,811	\$ 948,079	\$ 3,664,243	\$ 451,113
Payments to employees	(275,815)	(109,583)	(518,513)	-
Payments to suppliers and contractors	(863,113)	(563,405)	(1,912,673)	(434,831)
Net Cash Provided by (Used for) Operating Activities	30,883	275,091	1,233,057	16,282
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfer (out)	(121,874)	(252,780)	(939,206)	(202,867)
Proceeds from grants	-	202,928	-	-
Net Cash (Provided by) Noncapital Financing Activities	(121,874)	(49,852)	(939,206)	(202,867)
<u>Cash Flows from Capital and Related Financing Activities</u>				
Purchases of capital assets	-	(219,692)	(147,510)	-
Principal paid on capital debt	-	-	(125,000)	-
Net Cash (Used for) Capital and Related Financing Activities	-	(219,692)	(272,510)	-
<u>Cash Flows from Investing Activities</u>				
Interest on investments	2,160	2,174	(4,537)	187
Net Cash Provided by Investing	2,160	2,174	(4,537)	187
Net Increase (Decrease) in Cash and Cash Equivalents	(88,831)	7,721	16,804	(186,398)
Beginning cash and cash equivalents	1,183,663	362,197	546,718	190,554
Ending Cash and Cash Equivalents	\$ 1,094,832	\$ 369,918	\$ 563,522	\$ 4,156

See Notes to Financial Statements.

Total Proprietary Funds	
\$	6,233,246
	(903,911)
	(3,774,022)
	<u>1,555,313</u>
	 (1,516,727)
	<u>202,928</u>
	 (1,313,799)
	 (367,202)
	<u>(125,000)</u>
	 (492,202)
	 (16)
	<u>(16)</u>
	 (250,704)
	<u>2,283,132</u>
\$	<u><u>2,032,428</u></u>

City of Farmersville, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2016

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility
<u>Reconciliation of Operating</u>				
<u>Income (Loss) to Net Cash Provided by</u>				
<u>(Used for) Operating Activities</u>				
Operating Income (Loss)	\$ (148,034)	\$ 281,510	\$ 809,990	\$ 99,868
Adjustments to reconcile operating income (loss) to net cash provided by (used):				
Depreciation	223,032	70,512	64,477	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	22,026	(943)	5,246	434
Intergovernmental receivables	-	(73,881)	-	(61,165)
Deferred Outflows of Resources:				
Pension contributions	(709)	-	(1,578)	-
Investment experience	(18,331)	-	(40,439)	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	(63,691)	(2,107)	411,377	(22,855)
Customer deposits	(5,511)	-	(64,817)	-
Deferred Inflows of Resources:				
Actual experience vs. assumption	(2,467)	-	(5,435)	-
Net pension liability	24,568	-	54,236	-
Net Cash Provided by				
(Used for) Operating Activities	\$ 30,883	\$ 275,091	\$ 1,233,057	\$ 16,282
 Schedule of non-cash capital and related financing activities:				
Capital contribution	\$ 122,384	\$ -	\$ -	\$ -

See Notes to Financial Statements.

**Total
Proprietary
Funds**

\$ 1,043,334

358,021

26,763
(135,046)

(2,287)
(58,770)

322,724
(70,328)

(7,902)
78,804

\$ 1,555,313

\$ 122,384

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City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Farmersville, Texas (the "City") was incorporated under the laws of the State of Texas on June 2, 1873.

The City operates under a "General Law" City which provides for a "Mayor-Council" form of government. All powers of the City shall be vested in an elective council, hereinafter referred to as the "Council," which shall enact local legislation, adopt budgets, determine policies, and appoint the City Attorney and the Judge of the Municipal Court. The City provides the following services as authorized by its charter: public safety, streets & roads, sanitation, water & sewer, electric, culture-recreation, public improvements and administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes. Its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Discretely Presented Component Units

Economic Development Corporation – 4A

The Farmersville Economic Development Corporation (the “EDC”) was incorporated by the City under the Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Annotated Civil Statutes, Section 4B, as amended (the Act). The EDC serves all citizens of the City and is governed by a seven member board of directors appointed by the City Council. An Executive Director is appointed by the EDC seven member board to carry out the Board's administrative and policy initiatives. The purpose of the EDC is to promote economic development within the City and the State of Texas in order to enhance the employment and the public welfare for, and on behalf of, the City in a manner and purpose authorized by Section 4B of the Act. The EDC's financial statements are presented discretely as a part of the financial statements of the City. The EDC does not issue separate financial statements.

Community Development Corporation – 4B

The purpose of the City of Farmersville Community Development Corporation (the “CDC”) is to promote economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and to encourage employment and the public welfare of, for and on behalf of the City, and for parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities, and other related improvements and for maintenance and operating costs of publicly owned and operated projects by developing, implementing, providing, and financing projects. The CDC's financial statements are presented discretely as a part of the financial statements of the City. The CDC does not issue separate financial statements.

Blended Component Units

Tax Increment Financing Reinvestment Zone

The City created the Tax Increment Financing Reinvestment Zone Fund (the “TIRZ”) in December 2011 to encourage and accelerate planned development of a certain contiguous geographic area within its jurisdiction and extra-territorial jurisdiction. Of the five member Board of Directors three are appointed by the Farmersville City Council and two members shall be appointed by the County Commissioners Court of Collin County and serve for two-year staggered terms. The members of the Board are citizens of Farmersville. Any future debt obligations issued and backed by the TIF are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year 2011.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The TIF Board of Directors acts primarily in an advisory role to the City Council, who exercise the ultimate financial control over the recommendations of the TIF board, including its budget and expenditures. The financial information of the TIF is blended as a governmental fund into the primary government. Separate financial statements are not prepared.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City’s activities;
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the 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. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed and focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and its liabilities and deferred inflows of resources as fund balance.

General Fund

The General Fund is the main operating fund of the City. The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government and public safety. The general service fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Capital Projects Fund

The capital projects fund is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings, contributed capital or transfers from other funds, other than those recorded in the enterprise funds, for acquisition of capital facilities. The capital projects fund is considered a major fund for reporting purposes.

Chapparral Grant Fund

The Chapparral grant fund is used to account for the expenditures of resources accumulated from grants for the construction and maintenance of the trail, which is the westernmost leg of the regional Northeast Texas Trail System.

Safe Routes School Fund

The safe routes school fund is used to account for funds used to promote and encourage children in grade school to walk and bicycle to school, make walking to school a safer and more appealing transportation alternative, and facilitate the planning, development and implementation of projects and activities that will improve safety and reduce traffic, fuel consumption, and air pollution in the vicinity of schools.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The government reports the following major enterprise funds:

Water

This fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Wastewater

This fund is used to account for the provision of wastewater services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water collection and treatment systems. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

This fund is used to account for the provision of electricity services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electrical equipment. The fund also accounts for the accumulation of resources for and the payment of long-term debt, principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Refuse

This fund is used to account for the provision of sanitation services to the residents of the City. Activities of the fund include administration activities to maintain the services. All costs are financed through charges to sanitation customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

E. Assets, liabilities, deferred inflows/outflows, and net position/fund balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Equipment and vehicles	5-20 years
Infrastructure	15 to 100 years
Utility systems	10 to 40 years
Buildings and improvements	20-50 years

7. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

Amounts of vested or accumulated sick leave and compensatory time that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. One budget amendment was made during the year.

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control and as follows:

Debt Service Fund:	
Principal	\$11,775
Capital outlay	\$286,088

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended if necessary.

B. Deficit Fund Equity

At September 30, 2016, the Chaparral Grant Fund has a deficit fund balance of \$55,742. The deficit balances will be eliminated in the future with transfers from other funds.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investment pools	\$ 5,907,755	0.12
Total fair value	<u>\$ 5,907,755</u>	
Portfolio weighted average maturity		0.12

As of September 30, 2016, the discretely presented component unit had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 250,000	0.14
Total fair value	<u>\$ 250,000</u>	
Portfolio weighted average maturity		0.14

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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that have a market value of not less than the principal amount of the deposits. As of September 30, 2016, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexStar

The TexStar Participant Services Local Government Investment Pool ("TexStar") is an external investment pool operated by First Southwest Asset Management, Inc. and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexStar and of other persons who do not have a business relationship with TexStar. The Advisory Board members review the investment policy and management fee structure. Standard & Poor's rates TexStar AAAm.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

B. Receivables

The following comprise receivable balances of the primary government at year end:

Governmental Funds

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes	\$ 88,375	\$ 55,121	\$ 143,496
Sales tax	110,845	-	110,845
Franchise taxes	29,931	-	29,931
Other	22,137	-	22,137
	<u>\$ 251,288</u>	<u>\$ 55,121</u>	<u>\$ 306,409</u>

Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Refuse</u>	<u>Total</u>
Accounts	\$ 192,390	\$ 160,026	\$ 646,935	\$ 79,096	\$ 1,078,447
Other	3,749	-	-	-	3,749
Allowance	(48,466)	(42,355)	(71,701)	(22,301)	(184,823)
	<u>\$ 147,673</u>	<u>\$ 117,671</u>	<u>\$ 575,234</u>	<u>\$ 56,795</u>	<u>\$ 897,373</u>

Component Units

	<u>Economic Development Corporation</u>	<u>Community Development Corporation</u>
Sales tax	\$ 55,423	\$ 55,423
	<u>\$ 55,423</u>	<u>\$ 55,423</u>

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

C. Capital Assets

The primary government's summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,245,042	\$ -	\$ -	\$ 1,245,042
Construction in progress	770,651	231,762	(445,934)	556,479
Total capital assets not being depreciated	<u>2,015,693</u>	<u>231,762</u>	<u>(445,934)</u>	<u>1,801,521</u>
Capital assets, being depreciated:				
Buildings and improvements	1,863,657	-	-	1,863,657
Vehicles and equipment	2,287,240	369,274	(259,757)	2,396,757
Infrastructure	13,155,786	307,819	323,551	13,787,156
Total capital assets being depreciated	<u>17,306,683</u>	<u>677,093</u>	<u>63,794</u>	<u>18,047,570</u>
Less accumulated depreciation				
Buildings and improvements	(1,392,673)	(39,058)	-	(1,431,731)
Vehicles and equipment	(1,563,801)	(225,004)	250,556	(1,538,249)
Infrastructure	(9,101,781)	(398,896)	-	(9,500,677)
Total accumulated depreciation	<u>(12,058,255)</u>	<u>(662,958)</u>	<u>250,556</u>	<u>(12,470,657)</u>
Net capital assets being depreciated	<u>4,432,694</u>	<u>14,135</u>	<u>314,350</u>	<u>5,576,913</u>
Total Capital Assets	<u><u>\$ 6,448,387</u></u>	<u><u>\$ 245,897</u></u>	<u><u>\$ (131,584)</u></u>	<u><u>\$ 7,378,434</u></u>

Depreciation was charged to governmental functions as follows:

General and administrative	\$ 1,586
Library	3,482
Public safety	159,269
Public works	472,545
Community development	26,076
Total Governmental Activities Depreciation Expense	<u><u>\$ 662,958</u></u>

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 67,285	\$ -	\$ -	\$ 67,285
Construction in progress	222,398	147,510	-	369,908
Total capital assets not being depreciated	<u>289,683</u>	<u>147,510</u>	<u>-</u>	<u>437,193</u>
Capital assets, being depreciated:				
Buildings and improvements	231,192	-	-	231,192
Vehicles and equipment	1,161,280	-	(254,184)	907,096
Infrastructure	11,113,979	219,692	122,384	11,456,055
Total capital assets being depreciated	<u>12,506,451</u>	<u>219,692</u>	<u>(131,800)</u>	<u>12,594,343</u>
Less accumulated depreciation				
Buildings and improvements	(15,000)	(5,405)	-	(20,405)
Vehicles and equipment	(755,085)	(57,267)	254,184	(558,168)
Infrastructure	(6,784,566)	(295,349)	-	(7,079,915)
Total accumulated depreciation	<u>(7,554,651)</u>	<u>(358,021)</u>	<u>254,184</u>	<u>(7,658,488)</u>
Net capital assets being depreciated	<u>4,951,800</u>	<u>(138,329)</u>	<u>122,384</u>	<u>4,935,855</u>
Total Capital Assets	\$ 5,241,483	\$ 9,181	\$ 122,384	\$ 5,373,048

Depreciation was charged to business-type functions as follows:

Water	\$ 223,032
Wastewater	70,512
Electric	64,477
Total Business-Type Activities Depreciation Expense	\$ 358,021

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 8,260,000	\$ -	\$ (280,000)	\$ 7,980,000	\$ 455,000
Certificates of obligation	170,000	-	(170,000)	-	-
Premium	487,647	-	(24,688)	462,959	-
	<u>8,917,647</u>	<u>-</u>	<u>(474,688)</u>	<u>8,442,959</u>	<u>455,000</u>
Other liabilities:					
Notes payable	459,548	286,088	(156,887)	588,749	163,670
Compensated absences	52,205	3,800	-	56,005	50,405
Total Governmental Activities	<u>\$ 9,429,400</u>	<u>\$ 289,888</u>	<u>\$ (631,575)</u>	<u>\$ 9,087,713</u>	<u>\$ 669,075</u>
Long-term liabilities due in more than one year				<u>\$ 8,418,638</u>	
Business-Type Activities:					
Notes payable	\$ 505,000	\$ -	\$ (125,000)	\$ 380,000	\$ 125,000
Compensated absences	-	15,176	-	15,176	13,659
Total Business-Type Activities	<u>\$ 505,000</u>	<u>\$ 15,176</u>	<u>\$ (125,000)</u>	<u>\$ 395,176</u>	<u>\$ 138,659</u>
Long-term liabilities due in more than one year				<u>\$ 256,517</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities
General Obligation Bonds:		
\$1,500,000 General Obligation Bonds, Series 2012 due in installments through 2032, interest at 1.25% to 3.125%	\$ 1,275,000	\$ -
\$2,185,000 General Obligation Refunding Bonds, Series 2014 due in installments through 2034, interest at 2% to 4%	1,960,000	-
\$4,855,000 General Obligation Refunding Bonds, Series 2015 due in installments through 2035, interest at 2% to 4%	4,745,000	-
Total General Obligation Bonds	\$ 7,980,000	\$ -
Notes Payable:		
\$317,122 Public Property Finance Act Contract 53080 due in annual installments through 2018, interest at 3.89%	\$ 112,298	\$ -
\$265,000 Public Property Finance Contractual Obligations due in annual installments through 2016, interest at 5%	205,000	-
\$625,000 Notes Payable, Series 2013, due in annual installments through 2019, interest at 0.86% to 1.89%	-	380,000
\$73,119 Public Property Finance Act Contract 6776 due in annual installments through 2017, interest at 3.97%	30,167	-
\$73,119 Public Property Finance Act Contract 7190 due in annual installments through 2018, interest at 3.97%	52,884	-
\$206,572 Caterpillar Financial Contract 001-0785042 due in monthly installments through 2020, interest at 3.2%	188,400	-
Total Notes Payable	\$ 588,749	\$ 380,000

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The annual requirements to amortize governmental activities bond issues outstanding at year ending were as follows:

Governmental Activities		
Year ending September 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 455,000	\$ 255,131
2018	470,000	245,881
2019	470,000	235,056
2020	495,000	222,456
2021	515,000	208,931
2022	525,000	192,731
2023	545,000	174,106
2024	560,000	154,881
2025	585,000	134,881
2026	540,000	114,816
2027	310,000	99,584
2028	320,000	88,588
2029	335,000	77,066
2030	345,000	64,753
2031	355,000	51,831
2032	375,000	38,241
2033	280,000	25,600
2034	300,000	10,000
2020	200,000	-
Total	\$ 7,980,000	\$ 2,394,533

The 2015 general obligation refunding bonds were issued September 8, 2015, due in annual installments through 2035, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. Of the \$4,855,000 issued, \$2,150,000 of the 2006 series certificate of obligation was refunded.

The 2014 general obligation refunding bonds and the 2012 general obligation were used for the purpose of street improvements, including drainage, curbs, gutters, bridges, acquisition of equipment, machinery, land and right of ways as well as construction, acquiring, purchasing, renovating, enlarging, equipping and improving water and sewer system properties and facilities.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The annual requirements to amortize total governmental notes payable at year ending were as follows:

Governmental Activities		
Year ending September 30,	Notes Payable	
	Principal	Interest
2017	\$ 163,670	\$ 18,294
2018	142,406	11,376
2019	58,936	6,670
2020	59,713	5,192
2021	129,116	1,546
2022	34,908	350
	<u>\$ 588,749</u>	<u>\$ 43,428</u>

The annual requirements to amortize total business-type notes payable at year ending were as follows:

Business-Type Activities		
Year ending September 30,	Notes Payable	
	Principal	Interest
2017	\$ 125,000	\$ 4,945
2018	125,000	3,357
2019	130,000	1,229
	<u>\$ 380,000</u>	<u>\$ 9,531</u>

E. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$33,481. Current year amortization expense for governmental activities totaled \$1,762.

A deferred charge resulting from the issuance of the 2014 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$4,680. Current year amortization expense for governmental activities totaled \$246.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

F. Interfund Transactions

Transfers between the primary government funds during the 2016 year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 166,571
Water	General	121,874
Wastewater	General	252,780
Electric	General	939,206
Refuse	General	202,867
	Total	\$ 1,683,298

Government-wide transfers of assets between governmental activities and business-type activities during the 2016 year were as follows:

<u>Transfer out</u>	<u>Transfer In</u>	<u>Amount</u>
Governmental	Business-Type	\$ 122,384
	Total	\$ 122,384

The compositions of interfund balances as of year end were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 11,711
General	Water	132,268
Nonmajor Governmental	Water	130,333
Capital Projects	Water	96,271
Refuse	Water	5,423
Refuse	Nonmajor Governmental	55,742
Wastewater	Electric	381,215
	Total	\$ 812,963

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

G. Restricted Net Position / Fund Balance

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of restricted net position / fund balance of the City:

	Governmental Activities
Restricted for:	
Debt service	\$ 220,474
Library	2,513
Municipal court	24,628 *
Public safety	27,029
Total	\$ 274,644

*Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

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 had 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 basic financial statements for such contingencies.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Farmersville, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2015</u>	<u>Plan Year 2016</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>35</u>
Total	<u>68</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Employees for the City of Farmersville, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmersville, Texas were 9.40% and 8362% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$170,502, and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2013, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 0.0575	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,332,660	\$ 667,123	\$ 116,927

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Changes in the Net Pension (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balance at 12/31/14	\$ 4,708,240	\$ 4,336,372	\$ 371,868
Changes for the year:			
Service cost	207,028	-	207,028
Interest	326,753	-	326,753
Change in benefit terms	-	-	-
Difference between expected and actual experience	(22,859)	-	(22,859)
Changes of assumptions	41,648	-	41,648
Contributions – employer	-	165,151	(165,151)
Contributions – employee	-	89,856	(89,856)
Net investment income	-	6,399	(6,399)
Benefit payments, including refunds of emp. contributions	(287,705)	(287,705)	-
Administrative expense	-	(3,897)	3,897
Other changes	-	(194)	194
Net changes	264,865	(30,390)	295,255
Balance at 12/31/15	\$ 4,973,105	\$ 4,305,982	\$ 667,123

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$200,867.

At September 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ 268,882	\$ -
Differences between expected and actual economic experience	-	(16,499)
Contributions subsequent to the measurement date	122,673	-
Total	\$ 391,555	\$ (16,499)

The City reported \$122,673 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended		
December 31:		
2016	\$	56,399
2017		62,400
2018		74,152
2019		59,432
2020		-
Thereafter		-
	\$	252,383

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

6. Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's retiree contribution rates to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$1,186, \$875 and \$748, respectively, which equaled the required contribution each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.05%	0.05%	100.0%
2014	0.05%	0.05%	100.0%
2015	0.06%	0.06%	100.0%

Contributions to Farmersville Volunteer Fire Department Pension Plan

The City made contributions on behalf of the Farmersville Volunteer Fire Department's (the "VFD") pension plan to the Texas Emergency Services Retirement System (TESRS) in the amount of \$10,692. The related pension liability is estimated to be \$69,134. This is not recorded as the City can cease funding the program on behalf of the VFD.

City of Farmersville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

E. Restatement

The City has restated beginning fund balance/net position within governmental activities, business-type activities, general, debt service, SRO fund, as well as water and electric funds due for corrections of errors and changes in the reporting as listed below. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	General Fund	Debt Service Fund	SRO Fund
Prior year ending net assets				
fund balance as reported	\$ 1,952,897	\$ 1,140,052	\$ 141,136	\$ 17,121
Corrections of errors:				
To correct reporting of bond premium	(47,744)	-	-	-
Restatement for accrued receivables	(17,121)	-	-	(17,121)
To correct reporting of eliminated fund	(57,218)	(57,218)	-	-
Restated beginning net position/ fund balance	\$ 1,830,814	\$ 1,082,834	\$ 141,136	\$ -

	Business-Type Activities	Water	Electric
Prior year ending net assets			
as reported	\$ 7,246,690	\$ 4,345,110	\$ 1,166,928
Corrections of errors:			
To correct reporting of eliminated fund	(24,522)	(8,991)	(15,531)
Restated beginning net position	\$ 7,222,168	\$ 4,336,119	\$ 1,151,397

F. Subsequent Events

There were no material subsequent events through June 8, 2017, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Farmersville, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 608,968	\$ 616,968	\$ 606,904	\$ (10,064)
Sales tax	446,250	456,125	557,235	101,110
Franchise and local taxes	114,920	119,797	117,894	(1,903)
License and permits	37,105	24,305	23,386	(919)
Charges for services	134,407	163,614	170,375	6,761
Fines and forfeitures	150,000	150,000	122,314	(27,686)
Intergovernmental	86,551	101,151	131,193	30,042
Investment income	600	2,230	2,858	628
Other revenues	71,047	80,095	72,209	(7,886)
Total Revenues	1,649,848	1,714,285	1,804,368	90,083
<u>Expenditures</u>				
Current:				
Mayor and city council	18,415	13,314	13,064	250
Administration	568,636	679,507	668,458	11,049
Library and civic center	206,015	201,776	192,175	9,601
Municipal court	196,176	187,315	178,183	9,132
Police	1,050,920	1,029,737	1,030,116	(379)
Fire and EMS	327,462	324,201	283,259	40,942
Public works	652,653	848,824	748,939	99,885
Debt Service:				
Principal	138,915	145,112	156,887	(11,775) *
Interest and fiscal charges	41,900	41,900	19,700	22,200
Capital outlay	-	-	286,088	(286,088) *
Total Expenditures	3,201,092	3,471,686	3,576,869	(105,183)
Revenues Over (Under)				
Expenditures	(1,551,244)	(1,757,401)	(1,772,501)	(15,100)
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,551,243	1,679,010	1,516,727	(162,283)
Transfers (out)	-	-	(166,571)	(166,571)
Proceeds from debt issuance	-	-	286,088	286,088
Total Other				
Financing Sources (Uses)	1,551,243	1,679,010	1,636,244	(42,766)
Net Change in Fund Balance	\$ (1)	\$ (78,391)	(136,257)	\$ (57,866)
Beginning fund balance			1,082,834	
Ending Fund Balance			\$ 946,577	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Denotes over budget at the legal level of control.

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City of Farmersville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ -	\$ -	\$ 803,600	\$ 803,600
Investment income	250	1,100	970	(130)
Total Revenues	250	1,100	804,570	803,470
<u>Expenditures</u>				
Debt service:				
Principal	510,000	450,000	450,000	-
Interest	247,184	275,932	275,232	700
Total Expenditures	757,184	725,932	725,232	700
Revenues Over (Under)				
Expenditures	(756,934)	(724,832)	79,338	804,170
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	-	-	-	-
Total Other				
Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ (756,934)	\$ (724,832)	79,338	\$ 804,170
Beginning fund balance			141,136	
Ending Fund Balance			\$ 220,474	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Farmersville, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2016

	2015	2014 ¹
Total pension liability		
Service cost	\$ 207,028	\$ 157,726
Interest	326,753	313,135
Changes in benefit terms	-	-
Differences between expected and actual experience	(22,859)	(66,943)
Changes of assumptions	41,648	-
Benefit payments, including refunds of participant contributions	(287,705)	(180,348)
Net change in total pension liability	264,865	223,570
Total pension liability - beginning	\$ 4,708,240	\$ 4,484,670
Total pension liability - ending (a)	\$ 4,973,105	\$ 4,708,240
Plan fiduciary net position		
Contributions - employer	\$ 165,151	\$ 146,026
Contributions - members	89,856	81,766
Net investment income	6,399	232,214
Benefit payments, including refunds of participant contributions	(287,705)	(180,348)
Administrative expenses	(3,897)	(2,424)
Other	(197)	(199)
Net change in plan fiduciary net position	(30,393)	277,035
Plan fiduciary net position - beginning	4,336,372	4,059,337
Plan fiduciary net position - ending (b)	\$ 4,305,979	\$ 4,336,372
Fund's net pension liability - ending (a) - (b)	\$ 667,126	\$ 371,868
 Plan fiduciary net position as a percentage of the total pension liability	 86.59%	 92.10%
Covered employee payroll	\$ 1,797,114	\$ 1,635,328
Fund's net position as a percentage of covered employee payroll	37.12%	22.74%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Farmersville, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2016

1

	<u>9/30/2016</u>		<u>9/30/2015</u>
Actuarially determined employer contributions	165,151	\$	146,026
Contributions in relation to the actuarially determined contribution	165,151	\$	146,026
Contribution deficiency (excess)	-	\$	-
Annual covered employee payroll	1,797,114	\$	1,635,328
Employer contributions as a percentage of covered employee payroll	9%		9%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

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NONMAJOR GOVERNMENTAL FUNDS

LIBRARY FUND

This fund accounts for funds to be used on the City's library.

MUNICIPAL COURT TECHNOLOGY FUND

This fund accounts for funds that are legally restricted for use on municipal court technology.

MUNICIPAL COURT SECURITY FUND

This fund accounts for funds that are used for Law Enforcement Officer Safety Equipment grants to be used for Law Enforcement Officer Safety Equipment.

CHAPPARAL GRANT FUND

This fund accounts for funds that are used for the development and maintenance of the Chapparal Trail.

SAFE ROUTES SCHOOL

This fund accounts for funds that are used for school routes and crossing guards.

LEOSE

The Law Enforcement Officer Standards and Education is used to account for funds used to provide continuing education for law enforcement officers.

CHILD SAFETY

The purpose of this fund is to provide funding for public, parochial, and private school crossing guard programs inside the City.

SPECIAL PROJECTS

This fund accounts for funds to be used for special projects.

TIRZ

This fund accounts for funds to be used for planned development of a certain contiguous geographic area.

City of Farmersville, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016

	Library Fund	Municipal Court Technology	Municipal Court Security	Chapparral Grant Fund
<u>Assets</u>				
Cash and cash equivalents	\$ 2,513	\$ 14,028	\$ 10,730	\$ -
Due from other funds	-	-	-	-
Total Assets	\$ 2,513	\$ 14,028	\$ 10,730	\$ -
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 130	\$ -	\$ -
Due to other funds	-	-	-	55,742
Total Liabilities	-	130	-	55,742
<u>Fund Balances</u>				
Restricted for:				
Library	2,513	-	-	-
Municipal court	-	13,898	10,730	-
Public safety	-	-	-	-
Special projects	-	-	-	-
Unassigned	-	-	-	(55,742)
Total Fund Balances	2,513	13,898	10,730	(55,742)
Total Liabilities and Fund Balances	\$ 2,513	\$ 14,028	\$ 10,730	\$ -

Safe Routes School Fund	LEOSE	Child Safety	Special Projects	TIRZ	Total Nonmajor Governmental
\$ -	\$ 1,164	\$ 25,865	\$ -	\$ 114,361	\$ 168,661
-	-	-	130,333	-	130,333
<u>\$ -</u>	<u>\$ 1,164</u>	<u>\$ 25,865</u>	<u>\$ 130,333</u>	<u>\$ 114,361</u>	<u>\$ 298,994</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130
-	-	-	-	-	55,742
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,872</u>
-	-	-	-	-	2,513
-	-	-	-	-	24,628
-	1,164	25,865	-	-	27,029
-	-	-	130,333	114,361	244,694
-	-	-	-	-	(55,742)
<u>-</u>	<u>1,164</u>	<u>25,865</u>	<u>130,333</u>	<u>114,361</u>	<u>243,122</u>
<u>\$ -</u>	<u>\$ 1,164</u>	<u>\$ 25,865</u>	<u>\$ 130,333</u>	<u>\$ 114,361</u>	<u>\$ 298,994</u>

City of Farmersville, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	Library Fund	Municipal Court Technology	Municipal Court Security	Chapparal Grant Fund
<u>Revenues</u>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	4,396	3,297	-
Donations and contributions	704	-	-	144,672
Investment income	-	-	-	-
Total Revenues	704	4,396	3,297	144,672
<u>Expenditures</u>				
Municipal court	-	1,638	-	-
Culture and recreation	-	-	-	73,512
Total Expenditures	-	1,638	-	73,512
Revenues Over (Under) Expenditures	704	2,758	3,297	71,160
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	704	2,758	3,297	71,160
Beginning fund balances	1,809	11,140	7,433	(126,902)
Ending Fund Balances	\$ 2,513	\$ 13,898	\$ 10,730	\$ (55,742)

Safe Routes School Fund	LEOSE	Child Safety	Special Projects	TIRZ	Total Nonmajor Governmental
\$ -	\$ -	\$ -	\$ -	\$ 61,928	\$ 61,928
-	-	4,647	-	-	12,340
-	-	-	-	-	145,376
-	-	-	-	111	111
-	-	4,647	-	62,039	219,755
-	-	-	-	-	-
-	-	-	-	-	1,638
-	-	-	-	-	73,512
-	-	-	-	-	75,150
-	-	4,647	-	62,039	144,605
166,571	-	-	-	-	166,571
166,571	-	-	-	-	166,571
166,571	-	4,647	-	62,039	311,176
(166,571)	1,164	21,218	130,333	52,322	(68,054)
\$ -	\$ 1,164	\$ 25,865	\$ 130,333	\$ 114,361	\$ 243,122

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Agenda Section	Regular Agenda
Section Number	VII.B
Subject	Consider, discuss and act upon the election of Mayor Pro Tem and Treasurer
To	Mayor and Council Members
From	Ben White, City Manager
Date	June 13, 2017
Attachment(s)	None
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

Agenda Section	Regular Agenda
Section Number	VII.C
Subject	Consider, discuss, and act upon combining Parks & Recreation Board, Library/Civic Center Board, and Senior Citizens Board.
To	Mayor and Council Members
From	Ben White, City Manager
Date	June 13, 2017
Attachment(s)	Example of guidelines for new board if combined
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Provide staff direction for future action • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

Division 2. – City Amenities Board

Sec. 2-72. Creation; composition; appointment; compensation

There is created a city amenities board. The members of the city amenities board shall be appointed by the city council. All members of the city amenities board shall reside in the city and/or within the Farmersville Independent School District for at least one year immediately preceding the date of appointment and shall serve without compensation. No more than two of said members shall reside outside of the city's corporate limits. The chairman shall vote only when necessary to break a tie.

Sec. 2-73. Term of Office

The membership of the city amenities board shall be composed of seven members appointed by the city council. The initial members shall serve as follows: two members shall be appointed to serve until June 1, 2018, or until their successors are appointed; and two members shall be appointed to serve until June 1, 2019, or until their successors are appointed, and three members shall be appointed to serve until June 1, 2020, or until their successors are appointed. Thereafter, each member appointed or reappointed shall serve a term not to exceed three years until the member resigns or is removed as herein provided. All members may serve a maximum of two consecutive terms. After serving two consecutive terms, a member will not be eligible for re-appointment to the board for a period on one term (three years).

Sec. 2-74. Removal of members

The members of the board shall serve at the pleasure of the city council and may be removed from such board at any time, with or without cause.

Sec. 2-75. Vacancies

Should a vacancy occur in the membership of the board, the city council shall appoint a successor to fill the unexpired term.

Sec. 2-76. Officers

The board shall be organized by electing its own chairperson, vice-chairperson, and secretary no later than June 30th of each year or as soon as is practicable following the appointment of new or returning members to the board by the city council. The board may create other leadership positions for its members if it deems necessary to perform its function as a city amenities board. (This provision is not intended to, and shall not operate so as to, allow the board to appoint new members or otherwise increase the membership of the board.)

Sec. 2-77. Meetings.

The board shall meet at least one time a month for the purpose of conducting the board's business. Meetings shall be called by the chairman or at the request of the city manager. Meetings shall be noticed and conducted in accordance with the Texas Open Meetings Act. A majority of the total membership of the board shall constitute a quorum.

Section. 2-78. Jurisdiction.

The board shall work with any individual or group for the development and beautification of any park, library, or any other amenity under the jurisdiction of the city, and to advise the city council on its recommendations. The city council will take no action on any amenity program until it has been reviewed by the board, and the board has submitted its recommendation to the city council. The city council has final authority to accept or reject the board's recommendations.

Section 2-79. Limitations.

The city amenities board shall not have any authority to create legal obligations or liabilities for the city.

Agenda Section	Regular Agenda
Section Number	VII.D
Subject	Consider, discuss and act upon appointing new members to City boards.
To	Mayor and Council Members
From	Ben White, City Manager
Date	June 13, 2017
Attachment(s)	1. Table showing current board members and vacancies 2. Applications
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

Application

2017 FEB 16 AM 11:17

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: Lance T Hudson Home Phone 817-658-0105
Home Address: 201 Summit St Work Phone _____
Cell Phone 817-658-0105 Farmersville, TX
Mailing Address: same Email Address: lhudson5859@gmail.com
Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? 1.5 yrs
Are you a registered voter? Please circle: Yes or No
Are you in the Farmersville Independent School District? Please circle: Yes or No
Occupation: Contractor Employer: Hudson & Hudson Homes, LLC
State details of previous experience on any City Boards or Commissions (in any City):
I am a business owner in Farmersville. My family
owns contracting company. We also remodeled a home
in town. I want to help Farmersville with codes and
List memberships in any civic organizations: Compliance. Farmersville is a great place to
live & I want to keep it that way.

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

- 1 Building and Property Standards Commission
3 Farmersville Community Development Corporation Board (4B)
Farmersville Economic Development Corporation Board (4A)
Library / Civic Center Board
Main Street Board
Parks and Recreation Board
2 Planning and Zoning Commission
Senior Citizens Advisory Committee

Signature [Signature] Date 1-27-17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.
A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.

Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: Doris M. Cooks Home Phone 214-543-6437
Home Address: 3026 Andrew Dr. Work Phone _____
Cell Phone 214-543-6437
Mailing Address: 3026 Andrew Dr. Email Address: dzi9ns4@yahoo.com
Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? 4 yrs
Are you a registered voter? Please circle: Yes or No
Are you in the Farmersville Independent School District? Please circle: Yes or No
Occupation: Retired Educator Employer: N/A
State details of previous experience on any City Boards or Commissions (in any City):
I have had no formal experiences related to City boards or commissions. However, I have a passionate desire to give back to the community of Farmersville, and am looking forward to serving on the board.
List memberships in any civic organizations:
Delta Sigma Theta Sorority

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

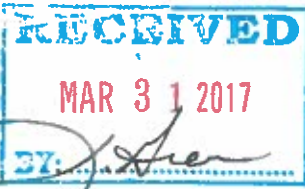
_____	Building and Property Standards Commission
<u>4</u>	Farmersville Community Development Corporation Board (4B)
<u>5</u>	Farmersville Economic Development Corporation Board (4A)
<u>6</u>	Library / Civic Center Board
<u>1</u>	Main Street Board
<u>3</u>	Parks and Recreation Board
_____	Planning and Zoning Commission
<u>2</u>	Senior Citizens Advisory Committee



Signature Doris M. Cooks Date 3-31-17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.
A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.

owns 307 McKinney St



Your Community Needs YOU

If you have always wanted to be a part of the decision-making process in Farmersville, serving on one of the boards or commissions is a great way to get involved.

City government is built on the foundation of concerned and caring citizens becoming actively involved in local government. The members of the various boards and commissions help in setting the direction of Farmersville's future.

Each board or commission has a three year term, except where indicated otherwise, with two consecutive terms maximum. After two consecutive terms on a board/commission a member is eligible for re-appointment to the same board or commission after a one term lapse.

All appointees must subscribe to the City's Code of Ethics as adopted by ordinance. A copy of the Code of Ethics will be given to you upon receipt of your application.

Please complete and return the following Application for Appointment to City Boards and Commissions by indicating, in order of preference from 1-8, the boards or commissions you would most like to serve. Council will review all applications during the appointment process. If you would like a more detailed description of each board or commission, call City Hall 972-782-6151 for a copy of the handbook.

All applications are kept for one year so there will always be an available pool of interested citizens to fill vacancies that may arise during the year.

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Please return your application to City Hall.

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: Anne Hall Home Phone 972-782-7266
Home Address: 401 Summit St Work Phone N/A
Mailing Address: Same Email Address: anneirish1@yahoo.com
Cell Phone 903-513-0538

Are you a Farmersville resident? Please circle Yes or No If Yes, how long? 17th June

Are you a registered voter? Please circle Yes or No

Occupation: Retired Employer: N/A

State details of previous experience on any City Boards or Commissions (in any City):

P+Z, Standards, Main Street

List memberships of any civic organizations:

Rotary, CAEPA

In Order Of Preference from 1 thru 8 Indicate which board(s) you would like to serve. If you do not wish to serve on a particular board please leave it blank.

<u>1</u>	Building and Property Standards Commission
<u>5</u>	Farmersville Community Development Corporation Board (4B)
<u>7</u>	Farmersville Economic Development Corporation Board (4A)
<u>2</u>	Library / Civic Center Board
<u>8</u>	Main Street Board
<u>6</u>	Parks and Recreation Board
<u>4</u>	Planning and Zoning Commission
<u>3</u>	Senior Citizens Advisory Committee

Signature Anne Hall Date 3/29/17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442. A copy of the City's Code of Ethics will be mailed to you upon receipt of your application.

Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Please type or print clearly in ink

Name: Cynthia Craddock-Clark Home Phone

Home Address: 606 Jackson St. Work Phone 469-802-3873

Cell Phone 469-422-2261

Mailing Address: _____ Email Address: _____

Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? 20+ years

Are you a registered voter? Please circle: Yes or No

Are you in the Farmersville Independent School District? Please circle: Yes or No

Occupation: Accounting Admin Employer: RenFA Center Corp.

State details of previous experience on any City Boards or Commissions (in any City):

State details of previous experience on any City Boards or Commissions (in any City):
just finished, serving 2yrs on the FCIDC (4B) Board

List memberships in any civic organizations:

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

<u>1</u>	Building and Property Standards Commission
	Farmersville Community Development Corporation Board (4B)
	Farmersville Economic Development Corporation Board (4A)
	Library / Civic Center Board
	Main Street Board
	Parks and Recreation Board
	Planning and Zoning Commission
	Senior Citizens Advisory Committee



Senior Citizens Advisory Committee

Signature Cynthia Cadden Date 5/3/17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.
A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.

Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: WADE SMITH Home Phone _____
Home Address: _____ Work Phone _____
Cell Phone 469 614 9291
Mailing Address: 303 SUMMIT ST Email Address: WADES@REGENCYTX.COM
Are you a Farmersville resident? Please circle Yes or No If Yes, how long? 2 yrs
Are you a registered voter? Please circle Yes or No
Are you in the Farmersville Independent School District? Please circle Yes or No
Occupation: MARKETING DIRECTOR FOR DEVELOPMENT COMPANY Employer: REGENCY DEVELOPMENT/CONST
State details of previous experience on any City Boards or Comm _____

N/A

List memberships in any civic organizations:

N/A



REGENCY

2825 Exchange Blvd., Ste 105
Southlake, Texas 76092

Regency Development
& Construction Services, LLC

Wade Smith
Marketing Director

469-614-9291 cell
214-303-9992 office
214-279-0709 fax
wades@regencytx.com
www.regencytx.com

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

- 3 Building and Property Standards Commission
- 2 Farmersville Community Development Corporation Board (4B)
- 1 Farmersville Economic Development Corporation Board (4A)
- ____ Library / Civic Center Board
- ____ Main Street Board
- ____ Parks and Recreation Board
- 4 Planning and Zoning Commission
- ____ Senior Citizens Advisory Committee

Signature Wade Smith Date 5 8 17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.
A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.



Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: MIKE GOLDSTEIN (M-I), Home Phone 972 784 8107
Home Address: 1453 N. HWY 78 Work Phone 214 868 3486
Cell Phone 214 868 3486
Mailing Address: PO BOX 348 FARMERSVILLE, TX 75442 Email Address: MGOLDST@SBCGLOBAL.NET
Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? 30 YEARS
Are you a registered voter? Please circle: Yes or No
Are you in the Farmersville Independent School District? Please circle: Yes or No
Occupation: RETIRED PHYSICIAN Employer: _____
State details of previous experience on any City Boards or Commissions (in any City):
4B

List memberships in any civic organizations:

ROTARY CLUB OF FARMERSVILLE

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

- 1 Building and Property Standards Commission
- 1 Farmersville Community Development Corporation Board (4B)
- _____ Farmersville Economic Development Corporation Board (4A)
- _____ Library / Civic Center Board
- _____ Main Street Board
- _____ Parks and Recreation Board
- _____ Planning and Zoning Commission
- _____ Senior Citizens Advisory Committee

Signature Mike Goldstein (M-I) Date 5/3/17



Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.
A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.

City of Farmersville
APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS
Please type or print clearly in ink

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Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: Lynette Fulkerson-Grady Home Phone 972-480-2604

Home Address: 400 Raymond Work Phone _____

Cell Phone _____ Street # 18

Mailing Address: _____ Email Address: lynnette201469@gmail.com

Are you a Farmersville resident? Please circle Yes or No If Yes, how long? 9 yrs

Are you a registered voter? Please circle Yes or No

Are you in the Farmersville Independent School District? Please circle Yes or No

Occupation: manager Employer: Whataburger

State details of previous experience on any City Boards or Commissions (in any City):

None but willing to learn

List memberships in any civic organizations:

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

- _____ Building and Property Standards Commission
- _____ Farmersville Community Development Corporation Board (4B)
- _____ Farmersville Economic Development Corporation Board (4A)
- 1 _____ Library / Civic Center Board
- _____ Main Street Board
- _____ Parks and Recreation Board
- 2 _____ Planning and Zoning Commission
- _____ Senior Citizens Advisory Committee

Signature [Signature] Date 5/19/2017

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.

A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.



City of Farmersville
APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS
Please type or print clearly in ink

Name: Jesse Nelson Home Phone 972 782 7358
Home Address: 5435 CR 602 Work Phone —
Mailing Address: FARMERSVILLE TX 75442 Email Address: Jesse.Nelson@icloud.com
Cell Phone 214 549 6311

Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? —

Are you a registered voter? Please circle: Yes or No

Occupation: Retired Employer: —

State details of previous experience on any City Boards or Commissions (in any City):

NONE

List memberships of any civic organizations:

In Order Of Preference from 1 thru 8 Indicate which board(s) you would like to serve.
If you do not wish to serve on a particular board please leave it blank.

<u> </u>	Building and Property Standards Commission
<u> </u>	Farmersville Community Development Corporation Board (4B)
<u> </u>	Farmersville Economic Development Corporation Board (4A)
<u> </u>	Library / Civic Center Board
<u> </u>	Main Street Board
<u> </u>	Parks and Recreation Board
<u> </u>	Planning and Zoning Commission
<u> </u>	Senior Citizens Advisory Committee



I have received and reviewed the Board and Commission Handbook, and I Agree to Abide by the City's Code of Ethics.

Signature Jesse Nelson Date 6-3-17

Please Return To: City Hall, Attention City Secretary, 205 South Main Street,
Farmersville, TX 75442

Your returned application will remain on file for one year for Council's use to fill vacancies as needed. The application is subject to Open Records regulations.

Please feel free to contact any City Councilmember, staff member, or member of any board or commission in which you are interested.

Your Community Needs YOU

If you have always wanted to be a part of the decision-making process in Farmersville, serving on one of the boards or commissions is a great way to get involved.

City government is built on the foundation of concerned and caring citizens becoming actively involved in local government. The members of the various boards and commissions help in setting the direction of Farmersville's future.

Each board or commission has a three year term, except where indicated otherwise, with two consecutive terms maximum. After two consecutive terms on a board/commission a member is eligible for re-appointment to the same board or commission after a one term lapse.

All appointees must subscribe to the City's Code of Ethics as adopted by ordinance. A copy of the Code of Ethics will be given to you upon receipt of your application.

Please complete and return the following Application for Appointment to City Boards and Commissions by indicating, in order of preference from 1-8, the boards or commissions you would most like to serve. Council will review all applications during the appointment process. If you would like a more detailed description of each board or commission, call City Hall 972-782-6151 for a copy of the handbook.

All applications are kept for one year so there will always be an available pool of interested citizens to fill vacancies that may arise during the year.

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Please return your application to City Hall.

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink



Name: LINDA FOY Home Phone 214-435-0324
Home Address: 211 COLLEGE Work Phone ---
Mailing Address: SAME Email Address: LindaFoy@gmail.com
Cell Phone SAME

Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? 3 yrs Are you a registered voter? Please circle: Yes or No

Occupation: RETIRED Employer: IBM

State details of previous experience on any City Boards or Commissions (in any City):

SCHOOL BOARD - FARMERSVILLE

List memberships of any civic organizations:

HISTORICAL SOCIETY - FARMERSVILLE
ANGEL TREE PROGRAM

In Order Of Preference from 1 thru 8 Indicate which board(s) you would like to serve. **If you do not wish to serve on a particular board please leave it blank.**

_____ Building and Property Standards Commission
_____ Farmersville Community Development Corporation Board (4B)
_____ Farmersville Economic Development Corporation Board (4A)
_____ Library / Civic Center Board
_____ ✓ Main Street Board
_____ Parks and Recreation Board
_____ Planning and Zoning Commission
_____ Senior Citizens Advisory Committee

Signature *Sandra Foy* Date 6/1/17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442. **A copy of the City's Code of Ethics will be mailed to you upon receipt of your application.**

Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: John Klostermann Home Phone 972-782-8923

Home Address: 302 Maple St. Work Phone _____

Cell Phone 469-222-6287

Mailing Address: 302 Maple St. Email Address: jk66city@gmail.com

Are you a Farmersville resident? Please circle: Yes or No If Yes, how long? 15 yr

Are you a registered voter? Please circle: Yes or No

Are you in the Farmersville Independent School District? Please circle: Yes or No

Occupation: Engineering Technician Employer: Raytheon Co.

State details of previous experience on any City Boards or Commissions (in any City):
4 years on city council

List memberships in any civic organizations:

CAFP

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

- | | |
|----------|---|
| <u>5</u> | Building and Property Standards Commission |
| <u>3</u> | Farmersville Community Development Corporation Board (4B) |
| <u>1</u> | Farmersville Economic Development Corporation Board (4A) |
| <u>6</u> | Library / Civic Center Board |
| <u>4</u> | Main Street Board |
| <u>8</u> | Parks and Recreation Board |
| <u>2</u> | Planning and Zoning Commission |
| <u>7</u> | Senior Citizens Advisory Committee |



Signature [Signature] Date 5-25-17

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.
A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.

Application

Please return your application to City Hall

City of Farmersville

APPLICATION FOR APPOINTMENT TO BOARDS AND COMMISSIONS

Please type or print clearly in ink

Name: Mary Berry Home Phone 972-839-8604 (cell)
Home Address: 350 CR 699 Work Phone 972-616-3276
Cell Phone Farmersville TX 75442
Mailing Address: 406 McKinney Street Email Address: mary@fancyfibersStore.com
Are you a Farmersville resident? Please circle Yes or No If Yes, how long? 8yrs Rural resident
Are you a registered voter? Please circle Yes or No
Are you in the Farmersville Independent School District? Please circle Yes or No
Occupation: Self-employed Employer: Fancy Fibers (Retail store and fiber arts school)
State details of previous experience on any City Boards or Commissions (in any City):
None

List memberships in any civic organizations:

None currently

In Order of Preference from 1 through 8

If you do not wish to serve on a particular board please leave it blank.

 Building and Property Standards Commission
 Farmersville Community Development Corporation Board (4B)
 Farmersville Economic Development Corporation Board (4A)
 Library / Civic Center Board
1 Main Street Board
 Parks and Recreation Board
 Planning and Zoning Commission
 Senior Citizens Advisory Committee



Signature Mary Berry Date June 8, 2017

Please return your application to: City of Farmersville, Attention City Secretary, 205 South Main Street, Farmersville, TX 75442.

A copy of the City's Code of Ethics will be mailed to you upon being appointed to a board.

Agenda Section	Regular Agenda
Section Number	VII.E
Subject	Consider, discuss and act upon the assignment of Council liaisons to City boards and commissions.
To	Mayor and Council Members
From	Ben White, City Manager
Date	June 13, 2017
Attachment(s)	Table showing liaisons
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to a future agenda. _____ • No motion, no action

City Council Liaisons

<i>Current Positions (2016-2017)</i>	
Councilmember	Board/Commission
Diane Piwko	Parks and Recreation Board / Library
Mike Hurst	FEDC (4A)
Leaca Caspari	FCDC (4B) / Senior Citizens Advisory / Main St.
John Klostermann	Planning & Zoning Commission
Michael Hesse	
Donny Mason	Building & Property Standards

<i>New Positions (2017-2018)</i>	
Councilmember	Board/Commission
Diane Piwko	
Mike Hurst	
Craig Overstreet	
Todd Rolen	
Michael Hesse	
Donny Mason	

Boards and Commissions:

FEDC (4A)

FCDC (4B)

Building & Property Standards

Planning & Zoning Commission

Parks and Recreation

Library/Civic Center

Senior Citizens Advisory

Main Street Board

City Amenities Board