

**CITY OF FARMERSVILLE, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2014**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252

CITY OF FARMERSVILLE, TEXAS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014

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## GENERAL INFORMATION

CITY OF FARMERSVILLE, TEXAS  
ROSTER OF CITY OFFICIALS  
SEPTEMBER 30, 2014

Mayor ..... Joe Helmberger  
Council Member ..... Jim Foy  
Treasurer ..... Russell Chandler  
Council Member ..... Michael Hesse  
Council Member ..... John Politz  
Council Member ..... John Klostermann

CITY OF FARMERSVILLE, TEXAS  
CITY DIRECTORS  
SEPTEMBER 30, 2014

City Manager..... Ben White  
City Attorney..... Alan Lathrom  
City Secretary..... Edie Sims  
Police Chief ..... Mike Sullivan  
Fire Chief..... Kim Morris  
Municipal Judge ..... Terry Douglas

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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Members of the Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmersville, Texas (City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unites each major fund, and the aggregate remaining fund information of the City of Farmersville, Texas as of

Independent Auditor's Report – Continued

September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

March 20, 2015  
Greenville, Texas





INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmersville, Texas (City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control – Continued

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 20, 2015  
Greenville, Texas

*Rutherford, Taylor & Company PC*

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)

CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

This section of the City of Farmersville, Texas annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2014. Please read it in conjunction with the City's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The City's total combined net assets were \$ 7,869,868 at September 30, 2014.
- During the year, the City's governmental activities expenses were \$ 1,191,436 more than the \$ 3,790,199 generated in taxes and other revenues, including transfers from business-type activities for governmental activities. Revenues of the business-type activities were \$ 388,692 more than the expenses, including transfers to governmental activities.
- The total cost of the City's programs was virtually unchanged from last year as no new programs were added this year. The City continued various improvements within the boundaries including utility upgrades and public works projects.
- The General Fund reported a fund balance this year of \$ 1,016,700.
- The City issued tax notes and refunding and improvement bonds during the year.
- The City began the operations related to the City owned electric utility.

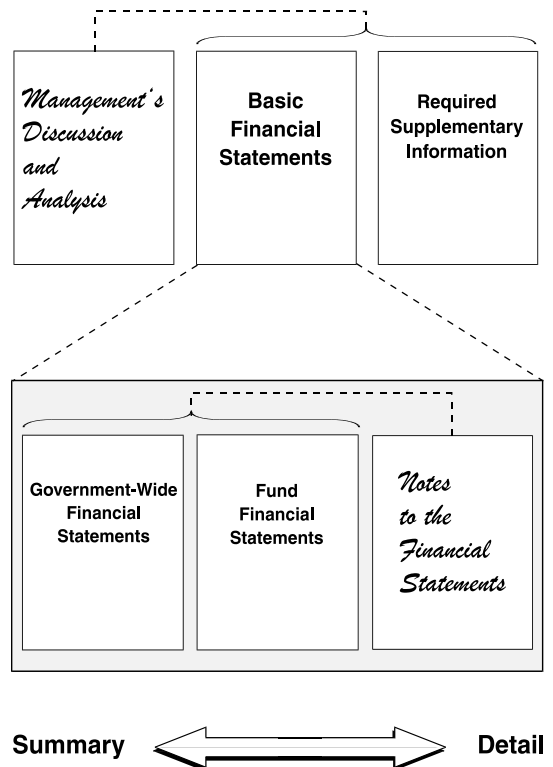
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as utility services.
- Fiduciary fund statements, if any, provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1, Required Components of the City's Annual Financial Report**



CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

Figure A-2 summarizes the major features of the City's basic financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private businesses: self insurance	Instances in which the city is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>*Statement of net assets</li> <li>*Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>*Balance sheet</li> <li>*Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>*Statement of net assets</li> <li>*Statement of revenues, expenses and changes in fund net assets</li> <li>*Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>*Statement of fiduciary net assets</li> <li>*Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base and population.

The government-wide financial statements of the City include the governmental activities. Most of the City's basic services are included here, such as Police and fire protection, public works, community development and general administration. Property taxes, fees, fines and intergovernmental support – including grants – finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the City's other programs and activities.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net assets were \$ 7,869,868 at September 30, 2014.

	Net Position					
	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Cash and Investments	\$ 2,703,703	\$ 2,170,331	\$ 1,891,276	\$ 1,566,116	\$ 4,594,979	\$ 3,736,447
Receivables and Other Assets	769,450	654,785	1,318,627	500,284	2,088,077	1,155,069
Capital Assets, net of Accumulated Depreciation	<u>5,672,386</u>	<u>5,569,907</u>	<u>4,183,968</u>	<u>3,874,333</u>	<u>9,856,354</u>	<u>9,444,240</u>
<b>Total Assets</b>	<u>\$ 9,145,539</u>	<u>\$ 8,395,023</u>	<u>\$ 7,393,871</u>	<u>\$ 5,940,733</u>	<u>\$ 16,539,410</u>	<u>\$ 14,335,756</u>
<b>Deferred Other Outflows</b>						
Bond Refunding Loss	<u>\$ 5,172</u>	<u>\$ 7,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,172</u>	<u>\$ 7,557</u>
<b>Liabilities</b>						
Current Liabilities	\$ 816,585	\$ 111,601	\$ 629,620	\$ 190,174	\$ 1,446,205	\$ 301,775
Noncurrent Liabilities	<u>6,603,479</u>	<u>5,368,926</u>	<u>625,000</u>	<u>-</u>	<u>7,228,479</u>	<u>5,368,926</u>
<b>Total Liabilities</b>	<u>\$ 7,420,064</u>	<u>\$ 5,480,527</u>	<u>\$ 1,254,620</u>	<u>\$ 190,174</u>	<u>\$ 8,674,684</u>	<u>\$ 5,670,701</u>
<b>Net Position</b>						
Invested in Capital Assets, net of Related Debt	\$ 352,927	\$ 1,495,140	\$ 3,556,165	\$ 3,874,333	\$ 3,909,092	\$ 5,369,473
Restricted	185,957	393,764	-	-	185,957	393,764
Unrestricted	<u>1,191,733</u>	<u>1,033,149</u>	<u>2,583,086</u>	<u>1,876,226</u>	<u>3,774,819</u>	<u>2,909,375</u>
<b>Total Net Position</b>	<u>\$ 1,730,617</u>	<u>\$ 2,922,053</u>	<u>\$ 6,139,251</u>	<u>\$ 5,750,559</u>	<u>\$ 7,869,868</u>	<u>\$ 8,672,612</u>

The largest portion of the City's net position (50%) reflects its investment in capital assets (land, buildings, equipment and infrastructure), net of any related debt used to acquire the assets that is outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately \$ 151,641 (82%) of the City's restricted net assets represents funds for debt retirement. These funds are restricted for repayment of tax supported debt. Approximately \$ 34,316 (18%) is restricted for other purposes within the City.

CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

**CHANGE IN NET ASSETS**

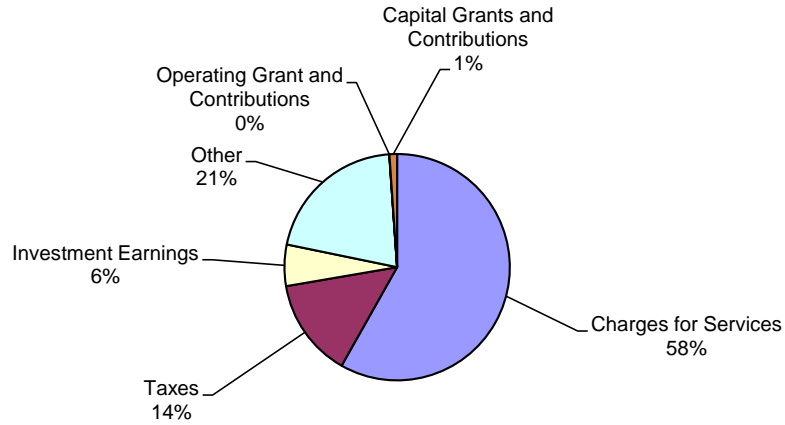
The following table presents the changes in net assets for the government-wide financial statements for the year ended September 30, 2014.

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 395,332	\$ 209,360	\$ 4,071,990	\$ 2,232,478	\$ 4,467,322	\$ 2,441,838
Operating Grant and Contributions	211,025	190,178	872,446	997,858	1,083,471	1,188,036
Capital Grants and Contributions	453,345	457,009	-	-	453,345	457,009
General Revenues						
Taxes	1,585,921	1,495,079	-	-	1,585,921	1,495,079
Investment Earnings	949	3,074	797	1,453	1,746	4,527
Other	84,062	100,521	-	-	84,062	100,521
<b>Total Revenues</b>	<b>\$ 2,730,634</b>	<b>\$ 2,455,221</b>	<b>\$ 4,945,233</b>	<b>\$ 3,231,789</b>	<b>\$ 7,675,867</b>	<b>\$ 5,687,010</b>
<b>Expenses</b>						
Governmental Activities						
Mayor and City Council	\$ 28,619	\$ 24,529	\$ -	\$ -	\$ 28,619	\$ 24,529
Administration	447,985	411,080	-	-	447,985	411,080
Municipal Court	189,665	94,145	-	-	189,665	94,145
Library and Civic Center	165,175	167,334	-	-	165,175	167,334
Police	949,733	890,056	-	-	949,733	890,056
Fire and Emergency Services	310,207	320,925	-	-	310,207	320,925
Public Works	1,732,994	1,179,631	-	-	1,732,994	1,179,631
Community Development	915,323	794,157	-	-	915,323	794,157
Debt Service	241,934	297,591	-	-	241,934	297,591
Business-type Activities						
Water and Wastewater Utility	-	-	1,604,324	1,624,493	1,604,324	1,624,493
Electric Utility	-	-	1,503,819	172,439	1,503,819	172,439
Refuse Utility	-	-	388,833	365,158	388,833	365,158
<b>Total Expenses</b>	<b>\$ 4,981,635</b>	<b>\$ 4,179,448</b>	<b>\$ 3,496,976</b>	<b>\$ 2,162,090</b>	<b>\$ 8,478,611</b>	<b>\$ 6,341,538</b>
<b>Excess (Deficiency) before Transfers</b>	<b>\$ (2,251,001)</b>	<b>\$ (1,724,227)</b>	<b>\$ 1,448,257</b>	<b>\$ 1,069,699</b>	<b>\$ (802,744)</b>	<b>\$ (654,528)</b>
Transfer In (Out)	1,059,565	1,154,051	(1,059,565)	(1,154,051)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (1,191,436)</b>	<b>\$ (570,176)</b>	<b>\$ 388,692</b>	<b>\$ (84,352)</b>	<b>\$ (802,744)</b>	<b>\$ (654,528)</b>
Net Position - October 1 (Beginning)	2,922,053	3,492,229	5,750,559	5,834,911	8,672,612	9,327,140
<b>Net Position - September 30 (Ending)</b>	<b>\$ 1,730,617</b>	<b>\$ 2,922,053</b>	<b>\$ 6,139,251</b>	<b>\$ 5,750,559</b>	<b>\$ 7,869,868</b>	<b>\$ 8,672,612</b>

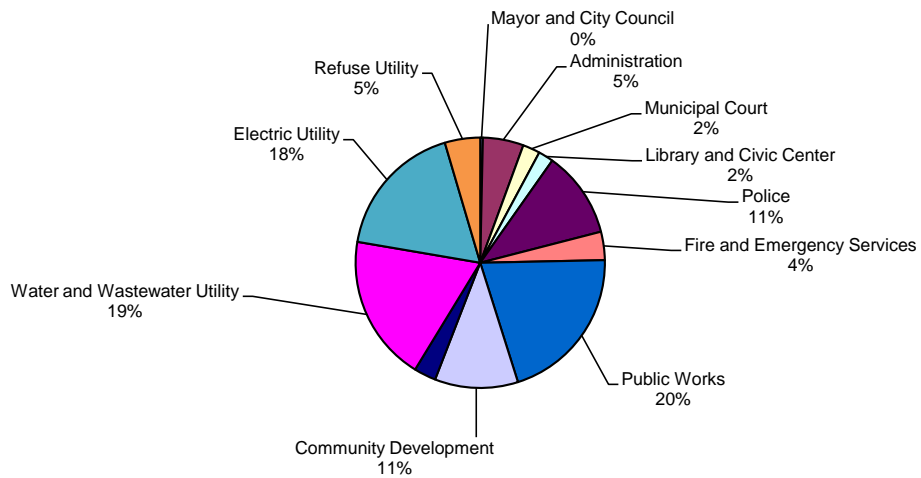
The charts that follow provide a snapshot of the government-wide activities of the City. The revenues are presented reflecting the sources and percentage of source of revenue. The expense chart presents expenses identified by the program or activity for which the expense was incurred.

CITY OF FARMERSVILLE, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED SEPTEMBER 30, 2014

**Government-wide Revenues**



**Government-wide Expenses**





CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

**GOVERNMENTAL ACTIVITIES**

The City's total governmental activities revenues were \$ 2,730,634. 58% of the City's revenue comes from taxes and franchise fees. Taxes include property taxes, sales taxes and utility franchise fees. 14% of revenue is generated through charges for services, which includes rental, licenses and permits, intergovernmental support for services provided to other entities and other user charges. An additional 24% is generated from operating grant and capital grant sources. The remaining balance is comprised of other miscellaneous sources, including investment earnings.

The total cost of all governmental activities programs and services was \$ 4,981,635. Public works, which includes street maintenance and related activities, represents 35% of the expenses. Police, fire and emergency services comprised 25% of the current year expenses. The remaining 40% of expenses includes general administration, municipal court, community development and other governmental activities.

**BUSINESS –TYPE ACTIVITIES**

Business-type activities include the water and wastewater utility, electric utility and refuse utility. The overall operation of the utilities was similar to prior years with the exception of the electric utility. During the year, the City began operating the electric utility on its own after the previous contractor opted out of the operating contract.

The water and wastewater utility's revenues were less than its expenses and transfer to governmental activities by \$ 166,612. The utility provides water and wastewater services to the residents of the City. It provides treated water to various outside-the-city customers as well.

The electric utility is maintained to account for the operating costs associated with the upkeep of the City's electric distribution system. The City has previously leased out the system's operation to a third-party electricity provider, and in return the City received a management fee. The City's responsibility is to provide all supplies and materials for the upkeep of the system. During this year, the City began operating all aspects of the utility. For the year, revenues exceeded expenses and transfer to other funds by \$ 511,105.

The refuse utility accounts for the services provided for solid waste collection and disposal within the City. In 2014, the revenues generated were \$ 44,199 more than the expenses, including transfers to the governmental activities. The largest expense relates to the contract with the third-party collection and disposal company, which is 96% of the utility expenses.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflow, outflow 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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$ 2,536,117. Approximately forty percent of the total ending fund balance (\$ 1,016,700) constituted unreserved fund balance, which is considered available for appropriation. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted to pay debt service (\$ 156,175), or restricted for capital improvements (\$ 1,284,020) as well as other restricted or committed purposes.

General Fund expenditures and other uses were less than revenues and other resources in the current period by \$ 124,879. The expenses for the fund reflecting an overall increase of \$ 101,025. Expenditure classifications both increased and decreased with the largest variances in the municipal court and public works classifications.

Other governmental funds ended the year with expenditures exceeding revenues and other uses by \$ 171,728.

Proprietary Funds – The proprietary funds – enterprise funds – are used to account for activities that are supported by charges for services rendered and are operated like a business. In each of the major enterprise funds, the revenues exceeded the expenses. The results of operations reflected gains that in part were transferred to the general fund to help defray the City's operating costs and to the debt service fund to retire the portion of the debt used to improve the water/wastewater system.

CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget reflected changes related to unanticipated costs and resources.

General Fund revenues earned exceeded anticipated revenues in the amended budget by \$ 49,579. Areas in which the estimated revenues were exceeded were all revenue categories except for fines.

General Fund actual expenditures were \$ 184,630 below the appropriated amounts. The public works and police areas were the largest positive variances.

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities at September 30, 2014 exceeded the amounts previously reported by \$ 412,115. The total capital assets at year end were \$ 9,856,354 (net of accumulated depreciation). This investment in capital assets included land and right-of-way costs, construction in progress, buildings and improvements, equipment and infrastructure. Additional information on the City's capital assets can be found in the notes to the basic financial statements following this analysis.

Capital Assets						
	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Nondepreciable Assets						
Land	\$ 1,245,042	\$ 1,245,042	\$ 67,285	\$ 67,285	\$ 1,312,327	\$ 1,312,327
Construction in Progress	793,221	210,691	45,865	-	839,086	210,691
Depreciable Assets						
Buildings and Improvements	1,863,657	1,863,657	10,538,232	10,440,655	12,401,889	12,304,312
Equipment	2,167,467	2,095,409	789,076	353,072	2,956,543	2,448,481
Infrastructure	11,173,489	11,173,489	-	-	11,173,489	11,173,489
Total Capital Assets	17,242,876	16,588,288	11,440,458	10,861,012	28,683,334	27,449,300
Less Accumulated Depreciation	(11,570,490)	(11,018,381)	(7,256,490)	(6,986,680)	(18,826,980)	(18,005,061)
Net Capital Assets	<u>\$ 5,672,386</u>	<u>\$ 5,569,907</u>	<u>\$ 4,183,968</u>	<u>\$ 3,874,332</u>	<u>\$ 9,856,354</u>	<u>\$ 9,444,239</u>

CITY OF FARMERSVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

**LONG-TERM OBLIGATIONS**

The City's governmental activities long-term obligations, including bonds, capital leases and loans, totaled \$ 7,228,479 at September 30, 2014. This number represents a total increase of \$ 1,867,112 during the year. Additional information on the City's long-term obligations can be found in the notes to the basic financial statements following this analysis.

Long Term Obligations						
	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Bonds	\$ 6,055,000	\$ 4,810,000	\$ -	\$ -	\$ 6,055,000	\$ 4,810,000
Loans	481,532	530,680	625,000	-	481,532	530,680
Capital Leases	-	11,070	-	-	-	11,070
Other	66,947	9,617	-	-	66,947	9,617
<b>Total</b>	<b>\$ 6,603,479</b>	<b>\$ 5,361,367</b>	<b>\$ 625,000</b>	<b>\$ -</b>	<b>\$ 6,603,479</b>	<b>\$ 5,361,367</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the adopted budget, the City Council and the city administration set the direction of the City, allocate its resources and establish its priorities.

The City annually reviews all of its fees as part of the budget adoption process. Fees for general government, as well as user charges for the utilities are evaluated and, if necessary, adjusted to meet the needs of the operations of the systems. The budget is then adopted and a tax rate is approved to meet the demands of the budget.

Overall, total budgeted expenditures in all operating funds increased due to the operating activity of the electric utility. Additional increases in budgeted expenditures reflect increasing costs of operations in the City.

The FY 2014 budgeted expenditures are to be covered by budgeted revenues, with an overall projected positive variance for the year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ben White, City Manager for the City.

BASIC FINANCIAL STATEMENTS

CITY OF FARMERSVILLE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and Investments	\$ 2,703,703	\$ 1,891,276	\$ 4,594,979	\$ 1,129,022
Accounts Receivable, net	-	634,669	634,669	-
Property Taxes Receivable, net	100,180	-	100,180	-
Fines Receivable, net	46,649	-	46,649	-
Sales Tax Receivable	68,604	-	68,604	68,604
Other Receivables	2,642	-	2,642	-
Due from Other Governments	179,645	-	179,645	-
Due from Other Funds	371,730	683,958	1,055,688	-
Restricted Cash	-	-	-	-
Capital Assets, net				
Nondepreciable	2,038,263	113,150	2,151,413	182,820
Depreciable	3,634,123	4,070,818	7,704,941	-
<b>Total Assets</b>	<b>\$ 9,145,539</b>	<b>\$ 7,393,871</b>	<b>\$ 16,539,410</b>	<b>\$ 1,380,446</b>
<b>DEFERRED OTHER OUTFLOWS</b>				
Bond Refunding Loss	\$ 5,172	\$ -	\$ 5,172	\$ -
<b>LIABILITIES</b>				
Accounts Payable	\$ 95,503	\$ 84,114	\$ 179,617	\$ -
Due to Other Funds	683,958	371,730	1,055,688	-
Interest Payable	37,124	2,803	39,927	1,598
Customer Deposits	-	170,973	170,973	-
Non-Current Liabilities				
Due within one year	411,083	120,000	531,083	13,630
Due in more than one year	6,192,396	505,000	6,697,396	108,902
<b>Total Liabilities</b>	<b>\$ 7,420,064</b>	<b>\$ 1,254,620</b>	<b>\$ 8,674,684</b>	<b>\$ 124,130</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 352,927	\$ 3,556,165	\$ 3,909,092	\$ 58,690
Restricted for:				
Debt Service	151,641	-	151,641	-
Other Purposes	34,316	-	34,316	-
Unrestricted	1,191,733	2,583,086	3,774,819	1,197,626
<b>Total Net Position</b>	<b>\$ 1,730,617</b>	<b>\$ 6,139,251</b>	<b>\$ 7,869,868</b>	<b>\$ 1,256,316</b>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental Activities:</b>								
Mayor and City Council	\$ 28,619	\$ -	\$ -	\$ -	\$ (28,619)	\$ -	\$ (28,619)	
Administration	447,985	88,479	-	-	(359,506)	-	(359,506)	
Municipal Court	189,665	60,729	-	-	(128,936)	-	(128,936)	
Library and Civic Center	165,175	-	178	-	(164,997)	-	(164,997)	
Police	949,733	95,724	138,259	-	(715,750)	-	(715,750)	
Fire	310,207	34,995	-	-	(275,212)	-	(275,212)	
Public Works	1,732,994	115,405	24,196	-	(1,593,393)	-	(1,593,393)	
Community Development	915,323	-	48,392	453,345	(413,586)	-	(413,586)	
Debt Service	241,934	-	-	-	(241,934)	-	(241,934)	
<b>Total Governmental Activities</b>	<b>\$ 4,981,635</b>	<b>\$ 395,332</b>	<b>\$ 211,025</b>	<b>\$ 453,345</b>	<b>\$ (3,921,933)</b>	<b>\$ -</b>	<b>\$ (3,921,933)</b>	
<b>Business-type Activities:</b>								
Water and Wastewater	\$ 1,604,324	\$ 1,717,560	\$ -	\$ -	\$ -	\$ 113,236	\$ 113,236	
Electric	1,503,819	1,846,324	872,446	-	-	1,214,951	1,214,951	
Refuse	388,833	508,106	-	-	-	119,273	119,273	
<b>Total Business-type Activities</b>	<b>\$ 3,496,976</b>	<b>\$ 4,071,990</b>	<b>\$ 872,446</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,447,460</b>	<b>\$ 1,447,460</b>	
<b>Total Primary Government</b>	<b>\$ 8,478,611</b>	<b>\$ 4,467,322</b>	<b>\$ 1,083,471</b>	<b>\$ 453,345</b>	<b>\$ (3,921,933)</b>	<b>\$ 1,447,460</b>	<b>\$ (2,474,473)</b>	
<b>Component Units:</b>								
4A - Economic Development	\$ 105,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (105,293)
4B - Community Development	202,734	-	-	-	-	-	-	(202,734)
<b>Total Component Units</b>	<b>\$ 308,027</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (308,027)</b>
<b>General Revenues:</b>								
Property Taxes					\$ 1,066,358	\$ -	\$ 1,066,358	\$ -
Sales Texas					439,839	-	439,839	439,838
Beverage Taxes / Franchise Fees					79,724	-	79,724	-
Investment Earnings					949	797	1,746	1,236
Other Income					84,062	-	84,062	-
Transfers					1,059,565	(1,059,565)	-	-
<b>Total General Revenues and Transfers</b>					<b>\$ 2,730,497</b>	<b>\$ (1,058,768)</b>	<b>\$ 1,671,729</b>	<b>\$ 441,074</b>
<b>Change in Net Position</b>					<b>\$ (1,191,436)</b>	<b>\$ 388,692</b>	<b>\$ (802,744)</b>	<b>\$ 133,047</b>
<b>Net Position - October 1 (Beginning)</b>					<b>2,922,053</b>	<b>5,750,559</b>	<b>8,672,612</b>	<b>1,123,269</b>
<b>Net Position - September 30 (Ending)</b>					<b>\$ 1,730,617</b>	<b>\$ 6,139,251</b>	<b>\$ 7,869,868</b>	<b>\$ 1,256,316</b>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 1,249,523	\$ 152,104	\$ 1,301,530	\$ 543	\$ 2,703,700
Receivables:					
Sales Taxes	68,604	-	-	-	68,604
Property Taxes	81,322	29,989	-	-	111,311
Less: Allowance for Uncollectibles	(8,132)	(2,999)	-	-	(11,131)
Fines	425,401	-	-	-	425,401
Less: Allowance for Uncollectibles	(378,753)	-	-	-	(378,753)
Due from Other Governments	-	-	-	179,645	179,645
Due from Other Funds	661,154	11,711	-	183,680	856,545
Other Receivables	2,612	-	-	-	2,612
Total Assets	<u>\$ 2,101,731</u>	<u>\$ 190,805</u>	<u>\$ 1,301,530</u>	<u>\$ 363,868</u>	<u>\$ 3,957,934</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 94,480	\$ -	\$ 1,022	\$ -	\$ 95,502
Due to Other Funds	867,637	-	16,488	284,646	1,168,771
Interest Payable	-	7,640	-	-	7,640
Total Liabilities	<u>\$ 962,117</u>	<u>\$ 7,640</u>	<u>\$ 17,510</u>	<u>\$ 284,646</u>	<u>\$ 1,271,913</u>
<b>DEFERRED OTHER RESOURCES</b>					
Property Tax Revenue	\$ 73,190	\$ 26,990	\$ -	\$ -	\$ 100,180
Warrants and Fines	49,724	-	-	-	49,724
Total Deferred Other Resources	<u>\$ 122,914</u>	<u>\$ 26,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,904</u>
<b>FUND BALANCE</b>					
Restricted for:					
Debt Retirement	\$ -	\$ 156,175	\$ -	\$ -	\$ 156,175
Capital Projects	-	-	1,284,020	-	1,284,020
Other Purposes	-	-	-	(59,369)	(59,369)
Committed for:					
Other Purposes	-	-	-	138,591	138,591
Unassigned	1,016,700	-	-	-	1,016,700
Total Fund Balance	<u>\$ 1,016,700</u>	<u>\$ 156,175</u>	<u>\$ 1,284,020</u>	<u>\$ 79,222</u>	<u>\$ 2,536,117</u>
Total Liabilities, Deferred Other Resources and Fund Balance	<u>\$ 2,101,731</u>	<u>\$ 190,805</u>	<u>\$ 1,301,530</u>	<u>\$ 363,868</u>	<u>\$ 3,957,934</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2014

Total fund balance - governmental funds	\$ 2,536,117
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore not reported in the balance sheet	5,672,386
Other assets are not available to pay current period expenditures and therefore are deferred in the funds and recognized as revenue in the statement of activities	149,904
Interest payable on noncurrent liabilities are not due and payable in the current period and are not reported in the funds	(29,483)
Noncurrent liabilities are not due and payable in the current period and therefore not reported in the funds as follows:	
Bonds	(6,055,000)
Loans	(481,532)
Unamortized Bond Premium	(66,947)
Other long term assets are not available to pay for current period expenditures and are deferred in the funds.	5,172
Total net assets - governmental activities (Exhibit A-1)	\$ 1,730,617

The accompanying notes are an integral part of this statement.



CITY OF FARMERSVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2014

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes and Franchise Fees	\$ 1,241,280	\$ 338,525	\$ -	\$ -	\$ 1,579,805
Licenses and Permits	53,484	-	-	-	53,484
Fines	138,619	-	-	14,672	153,291
Service Fees	139,980	-	-	-	139,980
Miscellaneous	84,062	-	80,410	178	164,650
Interest Income	339	248	362	-	949
Grant Proceeds	-	-	-	453,345	453,345
InterGovernmental Support	96,784	-	-	99,391	196,175
<b>Total Revenues</b>	<b>\$ 1,754,548</b>	<b>\$ 338,773</b>	<b>\$ 80,772</b>	<b>\$ 567,586</b>	<b>\$ 2,741,679</b>
<b>EXPENDITURES</b>					
Current:					
Mayor and City Council	\$ 28,619	\$ -	\$ -	\$ -	\$ 28,619
Administration	446,399	-	-	-	446,399
Municipal Court	211,605	-	-	15,186	226,791
Library and Civic Center	161,693	-	-	-	161,693
Police	881,993	-	-	32,267	914,260
Fire and Emergency Medical Service	213,643	-	-	-	213,643
Public Works	660,277	-	718,723	582,530	1,961,530
Community Development	-	-	872,189	17,058	889,247
Debt Service	71,065	490,106	-	-	561,171
<b>Total Expenditures</b>	<b>\$ 2,675,294</b>	<b>\$ 490,106</b>	<b>\$ 1,590,912</b>	<b>\$ 647,041</b>	<b>\$ 5,403,353</b>
<b>OTHER RESOURCES (USES)</b>					
Bond Proceeds	\$ -	\$ 687,539	\$ 1,500,000	\$ -	\$ 2,187,539
Bond Premium (Discount)	-	51,129	-	-	51,129
Transfers In	1,045,625	13,940	-	-	1,059,565
Refunding Escrow	-	(683,408)	-	-	(683,408)
<b>Total Other Resources (Uses)</b>	<b>\$ 1,045,625</b>	<b>\$ 69,200</b>	<b>\$ 1,500,000</b>	<b>\$ -</b>	<b>\$ 2,614,825</b>
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	\$ 124,879	\$ (82,133)	\$ (10,140)	\$ (79,455)	\$ (46,849)
Fund Balance - October 1 (Beginning)	891,821	238,308	1,294,160	158,677	2,582,966
Fund Balance - September 30 (Ending)	<u>\$ 1,016,700</u>	<u>\$ 156,175</u>	<u>\$ 1,284,020</u>	<u>\$ 79,222</u>	<u>\$ 2,536,117</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND EQUITY OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2014

Net change in fund equity - total governmental funds	\$ (46,849)
Capital asset cost is allocated over the estimated useful life and reported as depreciation in the statement of activities	(552,109)
Acquisition of capital assets requires the use of current financial resources but has no effect on net assets	654,588
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(11,044)
Repayment of debt principal is an expenditure in the funds but the payments reduce liabilities in the statement of net assets. Debt principal payments are as follows:	
Bonds	260,000
Leases	11,070
Loans	49,149
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	563
Changes in accrued interest expense from the beginning of the year to the end of the year	917
Debt proceeds are reported as other resources in the funds but are recorded as liabilities in the statement of net assets.	(2,241,129)
Payments to refund outstanding debt are recorded as other uses in the funds but reduce these liabilities in the statement of net assets.	<u>683,408</u>
Change in net assets of governmental activities	<u>\$ (1,191,436)</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Water/ Wastewater Utility	Electric Utility	Refuse Utility	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 1,191,920	\$ 571,589	\$ 127,767	\$ 1,891,276
Services Receivable	181,953	410,625	42,091	634,669
Other Receivables	-	-	-	-
Due from Other Funds	431,520	230,176	22,262	683,958
<b>Total Current Assets</b>	<b>\$ 1,805,393</b>	<b>\$ 1,212,390</b>	<b>\$ 192,120</b>	<b>\$ 3,209,903</b>
<b>Capital Assets</b>				
Land	\$ 65,285	\$ 2,000	\$ -	\$ 67,285
Construction in Progress	-	45,865	-	45,865
Buildings and Improvements	7,367,969	3,170,263	-	10,538,232
Equipment	242,010	509,566	37,500	789,076
Less: Accumulated Depreciation	(4,046,432)	(3,172,558)	(37,500)	(7,256,490)
<b>Capital Assets, net</b>	<b>\$ 3,628,832</b>	<b>\$ 555,136</b>	<b>\$ -</b>	<b>\$ 4,183,968</b>
<b>Total Assets</b>	<b>\$ 5,434,225</b>	<b>\$ 1,767,526</b>	<b>\$ 192,120</b>	<b>\$ 7,393,871</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 8,904	\$ 66,797	\$ 8,413	\$ 84,114
Interest Payable	-	2,803	-	2,803
Due to Other Funds	371,730	-	-	371,730
Customer Deposits	73,770	97,203	-	170,973
Notes Payable - Current Position	-	120,000	-	120,000
<b>Total Current Liabilities</b>	<b>\$ 454,404</b>	<b>\$ 286,803</b>	<b>\$ 8,413</b>	<b>\$ 749,620</b>
<b>Non Current Liabilities</b>				
Notes Payable	\$ -	\$ 505,000	\$ -	\$ 505,000
<b>Total Non Current Liabilities</b>	<b>\$ -</b>	<b>\$ 505,000</b>	<b>\$ -</b>	<b>\$ 505,000</b>
<b>Total Liabilities</b>	<b>\$ 454,404</b>	<b>\$ 791,803</b>	<b>\$ 8,413</b>	<b>\$ 1,254,620</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 3,628,832	\$ (72,667)	\$ -	\$ 3,556,165
Unrestricted	1,350,989	1,048,390	183,707	2,583,086
<b>Total Net Position</b>	<b>\$ 4,979,821</b>	<b>\$ 975,723</b>	<b>\$ 183,707</b>	<b>\$ 6,139,251</b>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2014

	Water/ Wastewater Utility	Electric Utility	Refuse Utility	Total
<b>OPERATING REVENUES</b>				
Utility Sales	\$ 1,653,956	\$ 1,799,324	\$ 499,914	\$ 3,953,194
Service Fees	34,311	27,208	8,192	69,711
Reconnects and Other	29,293	19,792	-	49,085
Management Fees	-	872,446	-	872,446
<b>Total Operating Revenues</b>	<b>\$ 1,717,560</b>	<b>\$ 2,718,770</b>	<b>\$ 508,106</b>	<b>\$ 4,944,436</b>
<b>OPERATING EXPENSES</b>				
Salaries and Related Benefits	\$ 408,240	\$ 214,064	\$ 137	\$ 622,441
Contracted Services	38,979	38,951	381,254	459,184
Professional Services	32,472	121,987	-	154,459
Maintenance	339,916	18,250	-	358,166
Operations	41,198	853,561	6,455	901,214
Supplies	493,489	175,861	-	669,350
Miscellaneous	11,212	17,263	987	29,462
Depreciation	238,818	30,992	-	269,810
<b>Total Operating Expenses</b>	<b>\$ 1,604,324</b>	<b>\$ 1,470,929</b>	<b>\$ 388,833</b>	<b>\$ 3,464,086</b>
<b>Operating Income (Loss)</b>	<b>\$ 113,236</b>	<b>\$ 1,247,841</b>	<b>\$ 119,273</b>	<b>\$ 1,480,350</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Earned	\$ 567	\$ 204	\$ 26	\$ 797
Grant Proceeds	-	-	-	-
Interest Expense	-	(7,890)	-	(7,890)
Debt Issuance Cost	-	(25,000)	-	(25,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 567</b>	<b>\$ (32,686)</b>	<b>\$ 26</b>	<b>\$ (32,093)</b>
<b>Income (Loss) before Transfers</b>	<b>\$ 113,803</b>	<b>\$ 1,215,155</b>	<b>\$ 119,299</b>	<b>\$ 1,448,257</b>
<b>Operating Transfers (Out)</b>	<b>(280,415)</b>	<b>(704,050)</b>	<b>(75,100)</b>	<b>(1,059,565)</b>
<b>Change in Net Position</b>	<b>\$ (166,612)</b>	<b>\$ 511,105</b>	<b>\$ 44,199</b>	<b>\$ 388,692</b>
<b>Net Position - October 1 (Beginning)</b>	<b>5,146,433</b>	<b>464,618</b>	<b>139,508</b>	<b>5,750,559</b>
<b>Net Position - September 30 (Ending)</b>	<b>\$ 4,979,821</b>	<b>\$ 975,723</b>	<b>\$ 183,707</b>	<b>\$ 6,139,251</b>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2014

	Water/ Wastewater Utility	Electric Utility	Refuse Utility	Total
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Management Contract	\$ -	\$ 1,131,230	\$ -	\$ 1,131,230
Cash Received from Customers	1,731,567	1,435,699	511,555	3,678,821
Cash Payments for Goods and Services	(1,011,569)	(1,394,751)	(436,342)	(2,842,662)
Cash Payments to Employees for Services	(409,266)	(214,186)	(137)	(623,589)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 310,732</u>	<u>\$ 957,992</u>	<u>\$ 75,076</u>	<u>\$ 1,343,800</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Transfers In (Out)	\$ (280,415)	\$ (704,050)	\$ (75,100)	\$ (1,059,565)
Increase (Decrease) for Customer Deposits	3,530	21,130	-	24,660
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>\$ (276,885)</u>	<u>\$ (682,920)</u>	<u>\$ (75,100)</u>	<u>\$ (1,034,905)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Debt Issuance Costs	\$ -	\$ (25,000)	\$ -	\$ (25,000)
Debt Proceeds	-	625,000	-	625,000
(Purchase) Retirement of Property or Equipment	(39,847)	(539,598)	-	(579,445)
Interest Paid	-	(5,087)	-	(5,087)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (39,847)</u>	<u>\$ 55,315</u>	<u>\$ -</u>	<u>\$ 15,468</u>
<b>Cash Flows from Investing Activities:</b>				
Interest Received	\$ 567	\$ 204	\$ 26	\$ 797
Net Cash Provided by (Used for) Investing Activities	<u>\$ 567</u>	<u>\$ 204</u>	<u>\$ 26</u>	<u>\$ 797</u>
Net Increase (Decrease) in Cash	\$ (5,433)	\$ 330,591	\$ 2	\$ 325,160
Cash and Investments - October 1 (Beginning)	1,197,353	240,998	127,765	1,566,116
Cash and Investments - September 30 (Ending)	<u>\$ 1,191,920</u>	<u>\$ 571,589</u>	<u>\$ 127,767</u>	<u>\$ 1,891,276</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	\$ 113,236	\$ 1,247,841	\$ 119,273	\$ 1,480,350
<b>Adjustments to reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation Expense	238,818	30,992	-	269,810
Changes in Assets and Liabilities:				
Receivables	14,007	(151,841)	3,449	(134,385)
Accounts Payable	5,487	61,298	(25,384)	41,401
Accrued Wages Payable	(1,026)	(122)	-	(1,148)
Interfund Receivable and Payables	(59,790)	(230,176)	(22,262)	(312,228)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 310,732</u>	<u>\$ 957,992</u>	<u>\$ 75,076</u>	<u>\$ 1,343,800</u>

The accompanying notes are an integral part of this statement.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Farmersville, Texas (City), the primary government, and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component units described below are each legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of and accountable to the City and presented discretely in the basic financial statements.

Farmersville Economic Development Corporation (4A), a not-for-profit organization created to finance economic development within the City of Farmersville. Financial data of the corporation is blended into the governmental funds of the City.

Farmersville Community Development Corporation (4B), a not-for-profit organization created to finance community development within the City of Farmersville. Financial data of the corporation is blended into the governmental funds of the City.

Basic Financial Statements

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City and its component units as a whole, excluding fiduciary activities. 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. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies (Continued)

The government-wide Statement of Net Assets reports all financial and capital resources to the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) external imposition by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposition by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various function and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other nonmajor funds are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

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

The *Debt Service Fund* accounts for revenues generated for the retirement of general obligation debt the City has issued. The fund includes transfers from proprietary funds for their contributions to the retirement of the outstanding debt.

The *Capital Projects Fund* accounts for the proceeds from the issuance of Series 2005 and Series 2006 Certificates of Obligation. The proceeds are being used to construct various capital improvements in the City. The proceeds, along with interest earnings, are to be used to complete the projects.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies (Continued)

The City reports the following major enterprise funds:

The *Water/Wastewater Utility Fund* accounts for the operation of the City's water and wastewater utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in and outside of Farmersville.

The *Electric Utility Fund* accounts for the operation of the City's electric distribution activity. The City leases the distribution system to a third party provider and receives a management fee in return.

The *Refuse Fund* accounts for the operation of the City's sanitation program, a self-supporting activity, which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses located in Farmersville.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.



CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies (Continued)

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 20, 1989.

Cash and Investments

The City pools available cash from all funds for the purpose of increasing income through investment activities. Investments in U.S. government and agency securities are carried at fair value based on market prices. The City's investment in the Texas Local Government Pool (TexPool) and TexStar are carried at fair value based on the value of each participating dollar as provided by TexPool. Interest income, which includes changes in fair value, on investments is allocated to all funds.

For purposes of the basic financial statements, the City considers investments to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Cash and investments include the City's cash and investment pool deposit balances.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, Structures and Improvements	20-50 years
Utility Plant	10-40 years
Equipment Including Vehicles	5-20 years
Infrastructure	15-100 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Pension Plan

Full-time City employees are members of the Texas Municipal Retirement System (System). The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of April 1 by the System's actuary.

Fund Balances

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies (Continued)

cannot be used for any other purpose unless the City Council removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority. The City Council has delegated the authority to assign fund balances to the City Manager.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Restricted					
Debt Retirement	\$ -	\$ 156,175	\$ -	\$ -	\$ 156,175
Capital Projects	-	-	1,284,020	-	1,284,020
Municipal Court Security	-	-	-	4,783	4,783
Municipal Court Technology	-	-	-	10,839	10,839
Library Donations`	-	-	-	1,627	1,627
Community Development	-	-	-	(93,685)	(93,685)
Child Safety	-	-	-	17,067	17,067
Committed					
School Resource Officer	-	-	-	7,715	7,715
Police Siezed Funds	-	-	-	543	543
Special Projects	-	-	-	130,333	130,333
Unassigned	1,016,700	-	-	-	1,016,700
Totals	\$ 1,016,700	\$ 156,175	\$ 1,284,020	\$ 79,222	\$ 2,536,117

Budgetary Principles

The City is required by law to adopt an annual budget on or before the 1<sup>st</sup> day of its fiscal year. The General and Debt Service governmental fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Throughout the fiscal year, the budget was amended to add supplementary appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget. The City Manager has the authority to change individual budget line items within a department as long as the total department's appropriation amount is not changed.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and other major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the City to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The City levied taxes within the City at \$ .475922 to fund general operations and \$ .221578 for the payment of principal and interest on long term debt on property valued at \$ 150,535,366.

Revenue Recognition for Utility Funds

Revenue is recorded in the period in which services are provided. As such, revenue is recorded as billed to customer on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures 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. As such, actual result could differ from those estimates.

B. Cash and Investments

The City's funds are deposited and invested under the terms of a depository agreement. The agreement requires the depository to pledge approved securities in an amount significant to protect the City's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2014, the City's cash deposits appear to have been properly secured by FDIC insurance or by pledged collateral held by the City or the depository in the City's name.

The City's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The City appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the City to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

B. Cash and Investments (Continued)

City investments include deposits in external investment pools, such as TexSTAR and TexPool. All TexSTAR and TexPool investments are reported at share price (fair value) and are presented as cash and investments.

*Texas Local Government Investment Pool (TexPool)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

*Texas Short Term Asset Reserve Program (TexSTAR)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

B. Cash and Investments (Continued)

The following table categorizes the City's investment at September 30, 2014:

	<u>Credit Rating</u>	<u>Fair Value</u>
TexPool	AAAm	\$ 2,333,024
TexSTAR	AAAm	<u>1,501,637</u>
Total		<u>\$ 3,834,661</u>

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

C. Capital Assets

Capital asset activities for the year were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Nondepreciable Assets:				
Land	\$ 1,245,042	\$ -	\$ -	\$ 1,245,042
Construction in Progress	210,691	582,530	-	793,221
Total	<u>\$ 1,455,733</u>	<u>\$ 582,530</u>	<u>\$ -</u>	<u>\$ 2,038,263</u>
Depreciable Assets:				
Buildings & Improvements	\$ 1,863,657	\$ -	\$ -	\$ 1,863,657
Equipment	2,095,409	72,058	-	2,167,467
Infrastructure	11,173,489	-	-	11,173,489
Total	<u>\$ 15,132,555</u>	<u>\$ 72,058</u>	<u>\$ -</u>	<u>\$ 15,204,613</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 1,314,557	\$ 39,058	\$ -	\$ 1,353,615
Equipment	1,278,742	150,862	-	1,429,604
Infrastructure	8,425,082	362,189	-	8,787,271
Total	<u>\$ 11,018,381</u>	<u>\$ 552,109</u>	<u>\$ -</u>	<u>\$ 11,570,490</u>
Total Governmental Activities Capital Assets, net	<u>\$ 5,569,907</u>	<u>\$ 102,479</u>	<u>\$ -</u>	<u>\$ 5,672,386</u>
<b>Business-type Activities</b>				
Nondepreciable Assets:				
Land	\$ 67,285	\$ -	\$ -	\$ 67,285
Construction in Progress	-	45,865	-	45,865
Total	<u>\$ 67,285</u>	<u>\$ 45,865</u>	<u>\$ -</u>	<u>\$ 113,150</u>
Depreciable Assets:				
Buildings & Improvements	\$ 10,440,655	\$ 97,577	\$ -	\$ 10,538,232
Equipment	353,072	436,004	-	789,076
Total	<u>\$ 10,793,727</u>	<u>\$ 533,581</u>	<u>\$ -</u>	<u>\$ 11,327,308</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 6,633,608	\$ 239,539	\$ -	\$ 6,873,147
Equipment	353,072	30,271	-	383,343
Total	<u>\$ 6,986,680</u>	<u>\$ 269,810</u>	<u>\$ -</u>	<u>\$ 7,256,490</u>
Total Business-type Activities Capital Assets, net	<u>\$ 3,874,332</u>	<u>\$ 309,636</u>	<u>\$ -</u>	<u>\$ 4,183,968</u>

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

C. Capital Assets (Continued)

Depreciation expenses were charged to functions/programs of the City as follows:

Governmental activities:	
Administration	\$ 1,586
Library and Civic Center	3,482
Police	35,473
Fire and Emergency	96,565
Public Works	388,927
Community Development	26,076
Total	<u>\$ 552,109</u>
Business-type activities:	
Water Utility	\$ 177,594
Wastewater Utility	61,224
Electric Utility	30,992
Total	<u>\$ 269,810</u>

D. Long-Term Obligations

The following is a summary of changes in long term obligations reported in the government-wide financial statements for the year ended September 30, 2014:

	Beginning Balances	Additions Increases	Reductions Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Bonds	\$ 4,810,000	\$ 2,185,000	\$ 940,000	\$ 6,055,000	\$ 330,000
Unamortized Bond Premium	17,176	51,129	1,358	66,947	-
Capital Leases	11,070	-	11,070	-	-
Loans	530,680	-	49,148	481,532	81,083
Totals	<u>\$ 5,368,926</u>	<u>\$ 2,236,129</u>	<u>\$ 1,001,576</u>	<u>\$ 6,603,479</u>	<u>\$ 411,083</u>

	Beginning Balances	Addition Increase	Reductions Decrease	Ending Balances	Due Within One Year
Business Type Activities:					
Loans	\$ -	\$ 625,000	\$ -	\$ 625,000	\$ 120,000
Totals	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ 120,000</u>

Governmental Activities

Bonds

At year end, the City had outstanding the following obligation bonds for acquisition and construction of capital improvements in the City. General obligation debt has been issued for general government activities.

The City Council approved the order authorizing the issuance of "City of Farmersville, Texas General Obligation Refunding and Improvement Bond, Series 2014," totaling \$ 2,185,000. The City will use \$ 1,500,000 of the proceeds from the issuance of the bonds for the purpose of the street improvements, including drainage, curbs, gutters, bridges, utility line relocation, traffic signalization signage and the acquisition of equipment, machinery, land and rights of way as well as construction, acquiring, purchasing, renovating, enlarging, equipping and improving water and sewer system properties and facilities including land and right of way.



CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

D. Long-Term Obligations (Continued)

The remaining \$ 685,000 will be used for the purpose of refunding outstanding bonds currently obligated by the City identified as "City of Farmersville, Texas Tax and Utility System (Limited Pledge) Revenue Certificate of Obligation, Series 2005." The City Council deems it advisable and in the best interest of the City to refund \$ 680,000 in outstanding obligations in order to achieve a restructuring of the debt service requirements of the City resulting in a gross debt service savings of \$ 55,876, a net present value debt service savings of \$ 47,827 and to achieve a restructuring of the City's cash flow position. The bonds were refunded on the call date of September 14, 2014.

General obligations bonds are direct obligations and pledge the full faith and credit of the City.

Description	Interest Rate	Original Issue	Outstanding
City of Farmersville, Texas			
Tax and Utility System (Limited Pledge)			
Revenue Certificates of Obligation, Series 2006	4.12%	3,500,000	\$ 2,480,000
City of Farmersville, Texas			
General Obligation Bonds, Series 2012	2.12%	1,500,000	1,390,000
City of Farmersville, Texas General Obligation			
Refunding and Improvement Bonds, Series 2014	2.69%	2,185,000	<u>2,185,000</u>
Total			<u>\$ 6,055,000</u>

Maturity requirements of the general obligation debt listed above are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 330,000	\$ 201,323	\$ 531,323
2016	340,000	184,774	524,774
2017	355,000	173,749	528,749
2018	365,000	162,949	527,949
2019	375,000	151,752	526,752
2020-2024	2,110,000	563,907	2,673,907
2025-2029	1,400,000	228,215	1,628,215
2030-2034	780,000	63,525	843,525
Totals	<u>\$ 6,055,000</u>	<u>\$ 1,730,194</u>	<u>\$ 7,785,194</u>

Compliance with Debt Covenants

There are various limitations and restrictions contained in the City's bond obligations. The City believes they are in compliance with all significant limitations and restrictions.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

D. Long-Term Obligations (Continued)

Loans

The City issued debt classified as loans during the year. The debt is for various terms not exceeding 10 years. The following identifies the items classified as loans that are outstanding at September 30, 2014:

Description	Interest Rate	Maturity Date	Original Amount	Outstanding Balance
Public Property Finance Contractual Obligations, Series 2012	1.84%	2/15/22	\$ 265,000	\$ 265,000
Public Property Finance Act Contract No 5944	3.89%	12/1/17	317,122	<u>216,532</u>
Total				<u>\$ 481,532</u>

Maturity requirements on the loan debt listed above are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 81,083	\$ 13,137	\$ 94,220
2016	83,059	10,636	93,695
2017	85,123	8,047	93,170
2018	92,267	5,334	97,601
2019-2023	140,000	5,600	145,600
Totals	<u>\$ 481,532</u>	<u>\$ 42,754</u>	<u>\$ 524,286</u>

Business Type Activities

Loans

The City issued debt classified as loans during the year. The debt requires semiannual interest and annual principal payments. The debt will mature in fiscal year 2019.

The following identifies the outstanding loans at year end:

Description	Interest Rate	Maturity Date	Original Amount	Outstanding Balance
City of Farmersville, Texas Notes Series 2013	1.38%	2/15/19	\$ 625,000	\$ 625,000

Maturity requirements on the outstanding loans are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 120,000	\$ 7,091	\$ 127,091
2016	125,000	6,170	131,170
2017	125,000	4,944	129,944
2018	125,000	3,357	128,357
2019	130,000	1,229	131,229
Totals	<u>\$ 625,000</u>	<u>\$ 22,791</u>	<u>\$ 647,791</u>

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

E. Commitments and Contingencies

Litigation – The City does not appear to be involved in any litigation at September 30, 2014.

Grants – Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects amounts, if any, to be immaterial.

F. Pension Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from the TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	Plan Year 2014	Plan Year 2013
Employee deposit rate	5.00%	5.00%
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
Update Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

F. Pension Plan (Continued)

	<u>Year Ended 9/30/2014</u>
Annual Required Contributions (ARC)	\$ 206,395
Interest on Net Position Obligation (NPO)	
Adjustments to the ARC	
Annual Pension Cost (APC)	<u>\$ 206,395</u>
Contributions Made	206,395
Increase (Decrease) in Net Pension	
Net Pension Obligation - Beginning	<u>-0-</u>
Net Pension Obligation - Ending	<u><u>\$ -0-</u></u>

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.1 years; closed period	26.1 years; closed period	25.2 years; closed period
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

F. Pension Plan (Continued)

***Funded Status and Funding Progress –***

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	3,726,948	4,327,197	86.1%	600,249	1,439,477	41.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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 for active employees provides a lump-sum payment approximately equal tot eh 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.

Contributions

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 contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$ 748, \$ 652, and \$ 597, respectively, which equaled the required contributions each year.

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

F. Pension Plan (Continued)

**Schedule of Contribution Rates:**

**(RETIREE-only portion of the rate)**

<b>Plan/ Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2011	0.04%	0.04%	100.00%
2012	0.06%	0.06%	100.00%
2013	0.06%	0.06%	100.00%

G. 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; injuries to employees; and natural disasters. The City purchases commercial insurance to provide coverage of their associated risks. There has been no significant change in insurance coverage from the previous year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Interfund Balances and Activities

Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2014 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Water/Wastewater Utility	Debt Service Fund	\$ 13,940	Debt Retirement
Water/Wastewater Utility	General Fund	266,475	Operating Funds
Electric Utility	General Fund	704,050	Operating Funds
Refuse Utility	General Fund	75,100	Operating Funds
Total		<u>\$ 1,059,565</u>	

CITY OF FARMERSVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

H. Interfund Balances and Activities (Continued)

Interfund Receivables and Payables

The composition of interfund receivables and payables as of September 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	Capital Projects Fund	\$ 11,713	Debt Proceeds
Library Donation	General	1,627	Pooled Cash
Court Technology	General	10,839	Pooled Cash
Court Security	General	4,783	Pooled Cash
Chapparell Grant	General	19,030	Pooled Cash
General	Safe Routes to Schools	275,239	Pooled Cash
General	SRO School Support	9,407	Pooled Cash
Special Projects	General	130,333	Pooled Cash
CC Child Safety	General	17,067	Pooled Cash
General	2012 Bond Fund	4,777	Pooled Cash
General	Water	371,730	Pooled Cash
Wastewater	General	431,520	Pooled Cash
Electric	General	230,176	Pooled Cash
Refuse	General	22,262	Pooled Cash
	Total	<u>1,540,503</u>	

I. Subsequent Events

The City's management has evaluated subsequent events through March 20, 2015, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF FARMERSVILLE, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Amended	Actual	
<b>REVENUES</b>				
Taxes and Franchise Fees	\$ 1,190,359	\$ 1,216,237	\$ 1,241,280	\$ 25,043
Licenses and Permits	25,650	34,205	53,484	19,279
Fines	137,171	150,000	138,619	(11,381)
Service Fees	113,497	137,207	139,980	2,773
Miscellaneous	78,900	71,105	84,062	12,957
Interest Income	1,000	250	339	89
InterGovernmental Support	57,588	95,965	96,784	819
Total Revenues	\$ 1,604,165	\$ 1,704,969	\$ 1,754,548	\$ 49,579
<b>EXPENDITURES</b>				
Current:				
Mayor and City Council	\$ 27,890	\$ 35,890	\$ 28,619	\$ 7,271
Administration	534,763	457,530	446,399	11,131
Municipal Court	168,385	214,906	211,605	3,301
Library and Civic Center	162,564	178,745	161,693	17,052
Police	875,830	906,330	881,993	24,337
Fire and Emergency Medical Service	232,077	230,077	213,643	16,434
Public Works	657,091	765,380	660,277	105,103
Debt Service	-	71,066	71,065	1
Total Expenditures	\$ 2,658,600	\$ 2,859,924	\$ 2,675,294	\$ 184,630
<b>OTHER RESOURCES (USES)</b>				
Transfers In	\$ 1,069,935	\$ 1,158,125	\$ 1,045,625	\$ (112,500)
Total Other Resources (Uses)	\$ 1,069,935	\$ 1,158,125	\$ 1,045,625	\$ (112,500)
<b>Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses</b>				
	\$ 15,500	\$ 3,170	\$ 124,879	\$ 121,709
Fund Balance - October 1 (Beginning)	891,821	891,821	891,821	-
Fund Balance - September 30 (Ending)	\$ 907,321	\$ 894,991	\$ 1,016,700	\$ 121,709

CITY OF FARMERSVILLE, TEXAS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS  
 YEAR ENDED SEPTEMBER 30, 2014

(Unaudited)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Funded Ratio</i>	<i>Unfunded AAL (UAAL)</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	3,272,305	3,924,699	83.4%	652,394	1,067,720	61.1%
12/31/2012	3,565,826	4,026,421	88.6%	460,595	1,261,253	36.5%
12/31/2013	3,726,948	4,327,197	86.1%	600,249	1,439,477	41.6%

OTHER SUPPLEMENTARY INFORMATION  
COMPONENT UNIT  
FINANCIAL STATEMENTS

CITY OF FARMERSVILLE, TEXAS  
 COMPONENT UNITS  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2014

	4A Economic Development	4B Community Development	Total
<b>ASSETS</b>			
Cash and Investments	\$ 910,840	\$ 218,182	\$ 1,129,022
Sales Tax Receivable	34,302	34,302	68,604
Capital Assets - Non Depreciable	-	182,820	182,820
<b>Total Assets</b>	<b>\$ 945,142</b>	<b>\$ 435,304</b>	<b>\$ 1,380,446</b>
<b>LIABILITIES</b>			
Interest Payable	\$ -	\$ 1,598	\$ 1,598
Notes Payable			
Due within one year	-	13,630	13,630
Due in more than one year	-	108,902	108,902
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 124,130</b>	<b>\$ 124,130</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ -	\$ 58,690	\$ 58,690
Restricted	945,142	252,484	1,197,626
<b>Total Net Position</b>	<b>\$ 945,142</b>	<b>\$ 311,174</b>	<b>\$ 1,256,316</b>

See accompanying notes to the financial statements – component units.

CITY OF FARMERSVILLE, TEXAS  
 COMPONENT UNIT  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2014

	4A Economic Development	4B Community Development	Total
<b>GENERAL REVENUES</b>			
Sales Tax	\$ 219,919	\$ 219,919	\$ 439,838
Investment Earnings	1,096	140	1,236
<b>Total Operating Revenues</b>	<b>\$ 221,015</b>	<b>\$ 220,059</b>	<b>\$ 441,074</b>
<b>EXPENSES</b>			
Community Support	\$ 9,500	\$ 20,087	\$ 29,587
Professional Services	-	-	-
Grants - Projects	87,234	94,606	181,840
Marketing	7,450	15,033	22,483
Main Street Support	-	57,455	57,455
Debt Service	-	6,826	6,826
Operations	1,109	8,727	9,836
<b>Total Expenses</b>	<b>\$ 105,293</b>	<b>\$ 202,734</b>	<b>\$ 308,027</b>
Change in Net Assets	\$ 115,722	\$ 17,325	\$ 133,047
Net Assets - October 1 (Beginning)	829,420	293,849	1,123,269
Net Assets - September 30 (Ending)	<b>\$ 945,142</b>	<b>\$ 311,174</b>	<b>\$ 1,256,316</b>

See accompanying notes to the financial statements – component units.

CITY OF FARMERSVILLE, TEXAS  
COMPONENT UNITS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

A. FINANCIAL REPORTING ENTITY

The City of Farmersville is the primary government and reports the following entities in its financial statements. The two entities are considered component units of the City and are presented discretely in the City financial statements.

The *Farmersville Economic Development Corporation (4A Corporation)* was established to oversee economic development in the City of Farmersville, Texas (City). The 4A Corporation, chartered in the State of Texas, is under the direction of a board of directors comprised of City and local school district residents. The Board has all legal powers to control the operations and activation of the 4A Corporation.

The 4A Corporation's primary source of revenue consists of a local sales tax approved by the voters in the City. This one half cent sales tax is collected by the State of Texas and remitted to the City monthly. The City forwards the funds to the 4A Corporation.

The 4A Corporation's purpose is to direct and assist the City in growing economically. Many types of activities are considered and carried out in this regard.

The *Farmersville Community Development Corporation (4B Corporation)* was established to oversee community development in the City of Farmersville, Texas (City). The 4B Corporation, chartered in the State of Texas, is under the direction of a board of directors comprised of City and local school district residents. The Board has all legal powers to control the operations and activation of the 4B Corporation.

The 4B Corporation's primary source of revenue consists of a local sales tax approved by the voters in the City. This one half cent sales tax is collected by the State of Texas and remitted to the City monthly. The City forwards the funds to the 4B Corporation.

The 4B Corporation's purpose is to direct and assist the City in quality of life issues and overall community development. Many activities and programs have been implemented to further these purposes.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting.

Revenue Recognition

All public support and revenue are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash and Investments

For the purpose of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with a maturity of ninety days or less.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF FARMERSVILLE, TEXAS  
 COMPONENT UNITS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The 4A and 4B Corporations operate under Section 501(c) (3) of the Internal Revenue Code and are generally exempt from federal, state, and local income taxes. Accordingly, no provision for income taxes is included in the financial statements. The 4A and 4B Corporations are not classified as private foundations.

Budgets

Each Corporation develops an annual budget coordinating the projected activities for the year. These budgets are forwarded to the City with the Council approving the budget for the year.

C. CASH

The Corporation's cash deposits are placed in Independent Bank - Farmersville and a government pool, TexPool. All balances are insured with FDIC depository insurance or supported by government securities.

D. NOTES PAYABLE

The 4B Corporation executed a note agreement with Independent Bank – Farmersville to purchase a parcel of land for use in expanding community space within the City. The note is for 10 years and requires quarterly payments of \$ 4,998.18 comprising both principal and interest. The note incurs interest of 5.5% on the unpaid balance and will fully mature on May 31, 2022.

The following presents the maturity requirement on the note:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 13,630	\$ 6,363	\$ 19,993
2016	14,367	5,626	19,993
2017	15,177	4,816	19,993
2018	16,015	3,978	19,993
2019	16,900	18,303	35,203
2020-2023	46,443	3,539	49,982
Totals	<u>\$ 122,532</u>	<u>\$ 42,625</u>	<u>\$ 165,157</u>