

CITY OF FRUITVALE, TEXAS
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023

MCPA, P.C.
Certified Public Accountants

CITY OF FRUITVALE, TEXAS
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CITY OF FRUITVALE, TEXAS
ELECTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023

CITY COUNCIL

Vicki Ferguson	Mayor
Brandon Russell	Mayor Pro Tem
Cory Bean	Secretary/Treasurer
Susan Murre	Council
Daniel Miller	Council
Debbie Shepherd	Council
Freda Jordan	Council

VFD CHIEF

Tim Bierl

MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Fruitvale, Texas
Fruitvale, Texas

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Fruitvale, Texas ("City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Fruitvale, Texas, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fruitvale, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fruitvale, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 6–10 and page 26 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.

MCPA, P.C.

Certified Public Accountants

Forney, Texas

May 8, 2024

MCPA, PC

CITY OF FRUITVALE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

Within this section of the City of Fruitvale, Texas' annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$226,254 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$127,410.
- Total net assets are comprised of the following:
 - 1) Capital assets of \$82,655.
 - 2) Unrestricted net assets of \$143,599 represent the portion available to maintain the City's continuing obligations to citizens.
- The City's general fund reported a total ending fund balance of \$143,599 this year. This compares to the prior year ending fund balance of \$133,551, showing an increase of \$10,048 during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the financial statements.

Government-Wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the citywide statement of financial position presenting information that includes all the City's assets and liabilities, with the difference reported as *net assets*. Over time, the increases or decreases of net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

CITY OF FRUITVALE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and fees and on occasion grants from state and federal sources. Governmental activities include general government, public safety, public services, and culture and recreation. Business-type activities include airports, water utilities, solid waste management, storm water drainage, golf courses, fairgrounds and stadium, ground transportation, and parking. Fiduciary activities such as employee pension plans are not included in government-wide statements since these assets are not available to fund City programs. The City currently has no business-type or fiduciary activities.

The City's financial reporting includes the funds of the City (primary government). The governmental activities include the City's basic services such as general administration. Sales tax and Franchise tax finance most of these activities. The City has no component units.

The government-wide financial statements are presented on pages 11-12 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City taken as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The City of Fruitvale, Texas has only two governmental funds, the General Fund and the EDC Fund. The City includes the Economic Development Corporation like a general fund as all administration is handled by the City staff and council.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of the expendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between the two perspectives.

CITY OF FRUITVALE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

The basic governmental fund financial statements are presented on pages 13-16 of this report.

The City complied with their adopted an annual budget for its General Fund, as required by the Local Government Code Title 4 Section 102.002.

The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements on page 17 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

Comparative data is accumulated and presented to assist analysis. The City's net assets at fiscal year-end are \$226,254. This is a \$98,844 increase over last year's net assets of \$127,410.

A portion of the City's net assets (36%) reflect its investments in capital assets (e.g. building, equipment and leasehold improvements). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets of \$143,599 may be used to meet the government's ongoing obligation to citizens and creditors.

CITY OF FRUITVALE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

The following table provides a summary of the City's net assets:

		<u>Governmental Activities</u>	
		<u>2023</u>	<u>2022</u>
Current and other assets	\$	152,171	\$ 133,551
Capital assets		<u>104,993</u>	<u>64,444</u>
Total Assets		<u>257,164</u>	<u>197,995</u>
Current liabilities		8,572	-
Long-term liabilities		<u>22,338</u>	<u>70,585</u>
Total Liabilities		<u>30,910</u>	<u>70,585</u>
Net assets:			
Invested in capital assets, net of related debt		82,655	38,928
Unrestricted		<u>143,599</u>	<u>88,482</u>
Total Net Assets	\$	<u>226,254</u>	<u>\$ 127,410</u>

The City reported a positive balance in net assets for governmental activities as net assets increased by \$98,844.

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

					<u>Summary of Changes in Net Assets</u>				
					<u>General Fund</u>		<u>General Fund</u>		
					<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>	
General Revenues:									
Sales Tax	\$	99,036	63.11		\$	84,370	90.59		
Franchise		6,764	4.31			7,185	7.71		
Building Rental		1,773	1.13			1,040	1.12		
Fees and Misc.		<u>49,363</u>	<u>31.45</u>			<u>538</u>	<u>0.58</u>		
Total Revenue		<u>156,936</u>	<u>100.00</u>			<u>93,133</u>	<u>100.00</u>		
Expenses:									
General Government		<u>58,092</u>	<u>100.00</u>			<u>71,408</u>	<u>100.00</u>		
Total Expenses		<u>58,092</u>	<u>100.00</u>			<u>71,408</u>	<u>100.00</u>		
Increase in Net Assets		98,844				21,725			
Beginning Net Assets		<u>127,410</u>				<u>105,685</u>			
Ending Net Assets	\$	<u>226,254</u>				<u>\$ 127,410</u>			

CITY OF FRUITVALE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of expendable resources. Governmental funds reported ending fund balances of \$143,599. Of this year-end total, a portion is to be reserved for EDC and Grant activity while the remaining balance in the General fund is available for continuing City service requirements.

Major Governmental Funds

The General Fund is the City's operating fund and the largest source of day-to-day service delivery. The ending fund balance of the General Fund decreased by \$16,084. The EDC fund established by the City in 2021 increased by \$26,132.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities, net of depreciation, as of December 31, 2023 is \$104,993. These primarily include the City Hall Building, improvements and the new city park funded by the ARPA grant. Depreciation expense for the year ended December 31, 2023 amounted to \$4,649.

Additional information regarding the City of Fruitvale's capital assets can be found in Note V on page 22.

GENERAL FUND BUDGETARY HIGHLIGHTS

2023 budget forecasted a \$1,488 decrease in the city's fund balance. Reduced expenses (primarily no major road repairs) caused a total increase of \$10,048.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET CONSIDERATIONS

General Fund and EDC expenses and revenues for the 2024 fiscal year are budgeted to increase slightly with the 2023 actual expenses aside from the inclusion of \$12,000 of anticipated costs for a City Secretary and a \$10,000 contingency fund.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions regarding this report or would like to request additional information, you may submit a request to the City Secretary at P.O. Box 197, Fruitvale, TX 75127.

CITY OF FRUITVALE, TEXAS
STATEMENT OF NET ASSETS
DECEMBER 31, 2023

	Government Activities
Assets	
Cash & Equivalents	\$ 135,046
Receivables	<u>17,125</u>
Total Current Assets	<u>152,171</u>
Capital Assets	
Land	5,000
Building	129,563
Equipment	52,829
Accumulated Depreciation	<u>(82,399)</u>
Total Capital Assets	<u>104,993</u>
Total Assets	<u><u>\$ 257,164</u></u>
Liabilities	
Accounts Payable	<u>\$ 8,572</u>
Total Current Liabilities	<u>8,572</u>
Bank Note Payable	22,338
ARPA Deferred Grant Funds	<u>-</u>
Total Long-term Liabilities	<u>22,338</u>
Total Liabilities	<u><u>\$ 30,910</u></u>
Net Assets	
Investment in Capital Assets (net of related debt)	\$ 82,655
Unrestricted	<u>143,599</u>
Total Net Assets	<u><u>\$ 226,254</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRUITVALE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Expenses	Charges for Services	Net Revenue (Expense)
Primary Government			
Government Activities			
General Government	58,092	-	(58,092)
	<u>\$ 58,092</u>	<u>\$ -</u>	<u>\$ (58,092)</u>
Change in Net Assets			
Net (Expenses) Revenue			\$ (58,092)
General Revenue			
Franchise Taxes			6,764
Sales Tax			99,036
Grant - ARPA Funds			45,069
Building Rental Income			1,773
Miscellaneous			<u>4,294</u>
Total General Revenue			<u>156,936</u>
Change in Net Assets			98,844
Net Assets: Beginning			127,410
Net Assets: Ending			<u>\$ 226,254</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRUITVALE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	EDC Fund	Total Governmental Funds
Assets			
Cash & Equivalents	\$ 86,278	\$ 48,768	\$ 135,046
Receivables	17,125	-	17,125
Total Current Assets	103,403	48,768	152,171
Total Assets	\$ 103,403	\$ 48,768	\$ 152,171
Liabilities			
Accounts Payable	\$ 8,572	\$ -	\$ 8,572
Total Liabilities	8,572	-	8,572
Fund Balance			
Unassigned	94,831	48,768	143,599
Total Liabilities and Fund Balance	\$ 103,403	\$ 48,768	\$ 152,171

The accompanying notes are an integral part of the financial statements.

CITY OF FRUITVALE, TEXAS
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2023

Total Fund Balance - Total Governmental Funds	\$ 143,599
Amounts reported for government assets in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	187,392
Accumulated depreciation has not been included in the governmental fund financial statements.	(82,399)
Long-term liabilities including notes payable and deferred grant revenue has not been included in the governmental fund financial statements.	<u>(22,338)</u>
Net Assets of Governmental Activities	<u><u>\$ 226,254</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRUITVALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	EDC Fund	Total Governmental Funds
Revenues			
Franchise Taxes	\$ 6,764	\$ -	\$ 6,764
Sales Tax	75,202	23,834	99,036
Building Rental Income	1,773	-	1,773
Miscellaneous	4,292	-	4,292
New Debt Proceeds	-	-	-
New Deferred Grant Proceeds	-	-	-
Total	88,031	23,834	111,865
Expenditures			
Facilities and Equipment	20,166	4,295	24,461
Contract Services	12,219	-	12,219
Operations	6,500	-	6,500
Other Miscellaneous	5,185	-	5,185
Grant Admin	4,000	-	4,000
Debt Interest Payments	1,078	-	1,078
Debt Principal Payments	3,245	-	3,245
Capital Expenditures	45,129	-	45,129
Total	97,521	4,295	101,816
Net Change in Fund Balance	(9,490)	19,538	10,048
Transfer between funds:	(6,594)	6,594	-
Fund Balance: Beginning	110,915	22,636	133,551
Fund Balance: Ending	\$ 94,831	\$ 48,768	\$ 143,599

The accompanying notes are an integral part of the financial statements.

CITY OF FRUITVALE, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balance - Total Governmental Funds	\$ 10,048
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Amounts reported for government activities
in the Statement of Activities are
different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	45,129
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction however, has any effect on the net position.	3,245
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The recognition of deferred revenue has no impact on current financial resources (cash). As such, the recognition of this revenue is not reported as as income in governmental funds.	45,071
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expenses is not reported as expenditure in governmental funds.	<u>(4,649)</u>
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Change Net Assets of Governmental Activities	<u><u>\$ 98,844</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of Fruitvale, Texas (City) are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended December 31, 2023.

B. Financial Reporting Entity

Incorporated in 1965, the City of Fruitvale, Texas is a Type-B General Law Municipality. Fruitvale is a small city in Van Zandt County, Texas, United States. The population was 408 at the 2010 census, and 490 as of 2021. Fruitvale is located on U.S. Highway 80 between Edgewood and Grand Saline. Fruitvale has no police department so they are served by local Van Zandt County Sheriff's deputies. Fruitvale has a volunteer fire department. Based on the primary accountability for fiscal matter, authority to make decisions, appoint administrators and managers, and significantly influence operations, the City meets the definition of a "Financial Reporting Entity" as defined by GASB statement 14.

The accompanying financial statements present the City's primary government. The city is small and has no reporting component units.

C. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide focus is 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. The focus of the fund financial statements is on the individual fund of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Government-Wide Financial Statements

The government-wide financial statements include the statements of net assets and the statement of activities. These statements report financial information of the City as a whole. The government has no funds other than the General Fund and no component units. Therefore, the statements do not distinguish governmental activities, generally supported by taxes and City general revenues, from activities generally financed with fees charged to external customers.

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities that capture the expenses and program revenues associated with a distinct functional activity. Program revenue includes charges for services, which report fees and other charges to users of the City's services (specifically permit fees). Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The City currently has no proprietary or fiduciary funds. The general funds and EDC funds are reported individually and as a total under total governmental funds.

D. Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting thus relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statement uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to claims and judgments are recorded only when payment is due and payable shortly after year end as required by GASB Interpretations No. 6.

Program revenues as reported in the Statement of Activities include 1) charges to customers for goods, services, or privileges provided and 2) capital grants. Other revenues received by the City that are internally dedicated by their purpose are reported as general revenues rather than program revenues. In this respect, all tax revenues are included in general revenues.

Sales tax, rental fees, and franchise tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. License and permits, charges for

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

services, and miscellaneous revenues are recorded as revenues when received in cash, as the related receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements are used as guidance.

Allocation of indirect expenses: The City currently has no indirect expenses.

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

The City of Fruitvale, Texas has only two governmental funds, the General Fund and the EDC Fund. The City includes the Economic Development Corporation like a general fund as all administration is handled by the City staff and council. Other funds typically would be used to account for debt service, grants management, general obligation bonds, internal service fund, pension trust fund, etc. Currently there is no activity that would require such funds.

E. Financial Statement Amounts

Cash and Equivalents – The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables – Account receivables are shown gross with no calculation for an allowance for uncollectible accounts. All receivables are due from the State of Texas and will be direct deposited into the City’s account. Currently the City does not collect property taxes.

Capital Assets – The City’s capital assets with useful lives of more than one year are stated at historical cost if purchased or constructed and comprehensively reported in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. The City generally capitalizes purchases of \$5,000 or more as outlays occur. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Building	39 years
Improvements	5 to 15 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Fund Equity – GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – includes the portion of net resources that cannot be spent because of their forms (i.e., inventory, long-term debt, or prepaid items) or because they must remain intact such as the principle of an endowment.
- *Restricted fund balance* – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – includes the portion of net resources on which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* – includes the portion of net resources for which an intended use has been established by the City Council or the City official authorized to do so by the City Council. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal.
- *Unassigned fund balance* – includes the amounts in excess of what can properly be classified in one of the other four categories of fund balance. It is

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

the residual classification and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

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

NOTE II. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

- In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

- Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None Reported	Not applicable

Budgets and Budgetary Accounting

- The Texas Uniform Budget Law requires each mayor or city manager to prepare a budget each year to cover all the expenditures of the municipality for the succeeding year. The budget should be formally adopted by ordinance by the Mayor and Council members before December 31 of each fiscal year. We noted the FY2022 and FY2023 budgets had been approved.

NOTE III. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

- Cash Deposits – At December 31, 2023, the carrying amount of the City’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$135,046. The City’s cash deposits at December 31, 2023 and during the year ended December 31, 2023 were entirely covered by FDIC insurance.

NOTE IV. RECEIVABLES

Receivables at December 31, 2023 for the government’s individual major fund is as follows. There is no allowance for uncollectible accounts.

- Taxes (sales) \$ 17,125

NOTE V. CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>Equipment</u>	<u>Building/ Improvements</u>	<u>Total</u>
Balances as of December 31, 2022	\$ 7,631	\$ 134,563	\$ 142,194
Increases (Decreases)	<u>45,198</u>	<u>-</u>	<u>45,198</u>
Balances as of December 31, 2023	52,829	134,563	187,392
Accumulated Depreciation:			
Balances as of December 31, 2022			(77,750)
Increases (Decreases)			<u>(4,649)</u>
Balances as of December 31, 2023			<u>(82,399)</u>
Net Capital Assets			<u>\$ 104,993</u>

Depreciation expense is charged to the General Government.

NOTE VI. LONG-TERM OBLIGATIONS

Government-Type Activities

Methodist Church Property - The City of Fruitvale, Texas closed on the church property on May 19, 2021. The selling price was \$50,000 which the city partially paid down leaving an outstanding loan of \$28,000, financed through Austin Bank at an initial rate of 4.5% over 20 years. Principal payments of \$178.15 began in April 2021. We noted the City began paying

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

\$356.30 in July of 2022 in order to pay off the loan prior to the original expected payoff date of May 2041.

Principal payments projected for the following five years:

	<u>Principal</u>
2024	\$ 1,140
2025	1,195
2026	1,251
2027	1,309
2028 and subsequent years	<u>17,443</u>
TOTAL	\$ 22,338

Roll-forward long-term notes:

<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2022</u>
\$ 25,516	\$ -	\$ (3,178)	\$ 22,338

NOTE VII. ECONOMIC DEVELOPMENT CORPORATION

The City began collecting a 2% sales tax in December 2018. During 2020, the council approved setting aside 0.5% (one half of one percent) for an Economic Development Corporation which was funded in a separate bank account in 2021.

NOTE VIII. RISK MANAGEMENT COVERAGE

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 has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial coinsurance for other risk of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

CITY OF FRUITVALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE IX. LITIGATION

Currently management is unaware of significant pending litigation against the City.

NOTE X. FEDERAL, STATE AND LOCAL GRANT REVENUE

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Under the American Rescue Plan Act (ARPA) of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. The U.S. Treasury manages the distribution of these funds to Texas counties and cities with populations above 50,000. Cities, villages, towns, and townships serving populations of less than 50,000 are classified as non-entitlement units of local government (NEUs) and will receive funding distributed by TDEM.

The City of Fruitvale was awarded a total of \$45,068.84. Half of this balance was released to the City in August 2021 (\$22,534.42) and the remaining portion was released in August 2022. During FY2023, the City completed their City Park Project funded with ARPA funds (administered by Grant Works). The full amount (\$45,068.84) was recognized to income in FY2023.

NOTE XI. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after December 31, 2023 up through May 8, 2024, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

NOTE XII. OTHER INFORMATION

Public Safety

- Fire: Provided by the Fruitvale Volunteer Fire Department. The City enters into a contract with the volunteer fire department to provide fire-fighting and other related emergency services to residents of the city.
- Police: Provided by Van Zandt County Sheriff's Department.
- Emergency: Van Zandt County EMS provides ambulance service to Van Zandt County residents, which includes the residents of the City of Fruitvale.

CITY OF FRUITVALE, TEXAS
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DECEMBER 31, 2023

Infrastructure

The State of Texas maintains the State Highway and Farm to Market Roads. Private roads are maintained by the residents of those roads. Repairs are open to outside bids and paid directly by the residents.

Utilities

- Sewer is not provided by the City. Septic systems are individually owned by residents.
- Water is provided by Fruitvale Water Supply Corporation, a company not affiliated with the City.
- Electric service is provided by American Electric and Power, a company not affiliated with the City.
- Gas service is provided by Center Point, a company not affiliated with the City.
- Trash collection is not provided by the City.

CITY OF FRUITVALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	NON-GAAP BUDGETARY BASIS			
	Budget General Fund	Budget EDC	Actual	Variance
Revenues				
Franchise Taxes	\$ 6,600	\$ -	\$ 6,764	\$ 164
Sales Tax	61,000	-	75,202	14,202
Sales Tax - EDC	-	19,000	23,834	4,834
Building Rental Income	2,400	-	1,773	(627)
Miscellaneous	5,200	-	4,292	(909)
New Deferred Grant Proceeds	-	-	-	-
	<u>75,200</u>	<u>19,000</u>	<u>111,865</u>	<u>17,665</u>
Expenditures				
Facilities and Equipment	29,144	-	7,033	22,111
Road Work - EDC Funds	-	19,000	17,428	1,572
Contract Services	22,500	-	12,219	10,281
Operations	10,740	-	6,500	4,240
Other Miscellaneous	9,981	-	5,185	4,796
Grant Admin	-	-	4,000	(4,000)
Debt Interest Payments	1,075	-	1,078	(3)
Debt Principal Payments	3,248	-	3,245	3
Capital Expenditures	-	-	45,129	(45,129)
	<u>76,688</u>	<u>19,000</u>	<u>101,816</u>	<u>(6,128)</u>
Net Change in Fund Balance	<u>(1,488)</u>	<u>-</u>	<u>10,048</u>	<u>11,536</u>
Fund Balance: Beginning	<u>110,915</u>	<u>22,636</u>	<u>133,551</u>	
Fund Balance: Ending	<u>\$ 109,427</u>	<u>\$ 22,636</u>	<u>\$ 143,599</u>	

The accompanying notes are an integral part of the financial statements.

MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

May 8, 2024

To the Honorable Mayor and Members of the City Council
City of Fruitvale, Texas

We have audited the financial statements of the governmental activities and each major fund of the City of Fruitvale, Texas, for the year ended December 31, 2023, and have issued our report thereon dated May 8, 2024. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated January 4, 2024, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team has complied with all relevant ethical requirements regarding independence.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of the City's Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fruitvale, Texas are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimate affecting the City of Fruitvale, Texas's financial statements was:

Management's estimate of the depreciation of the City's fixed assets is based upon management's estimate of the specific assets useful life and the cost of the assets is depreciated accordingly. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Long-term Obligations in Note VI to the financial statements as these represent significant future debt payments in the form of interest and principal.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

- Adjustment to reclass ARPA Grant funds received in 2021 / 2022 to revenue as the funds were released
- Adjustment to tie out the remaining long term debt principal balances per bank statements
- Adjustment to tie out year end receivable balances per the comptroller sales tax statements
- An adjustment to record 2023 depreciation expense
- A reclass entry to capitalize the new city park funded by the ARPA grant

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Fruitvale, Texas's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Fruitvale, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- ARPA Grant Funds – As documented in Note X, the city received a total of \$45,068.84 under the American Rescue Plan Act (ARPA) of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. These funds were released in 2023 to pay for the city park project.
- *Prior year comment not addressed in FY2023* - EDC – Now that a separate bank account has been established, we recommend that revenues and expenses be separated by class within QuickBooks. This would facilitate clear and defined financial statements by fund (general fund and EDC fund).

- *Prior year comment not completely addressed in FY2023* - Monthly Bank Reconciliations - We recommend consistent bank reconciliations be performed every month (on all accounts), and that the council receive a copy of each bank reconciliation and bank statement each month as part of the council package.
- *Prior year comment not completely addressed in FY2023* - The Board requires that all checks over \$300 be signed by 2 people. During our review of 11 expenses and the corresponding cancelled checks, we discovered a check that was more than the \$300 threshold that did not have the required dual signatures. We also noted that a large capital expense was paid for by withdrawing cash from the bank. Both instances are violations of the controls that the Board has put in place. Moreover, the City has no proof that the vendor was paid in the instance of the cash payment. We recommend that no expenses of the City ever be paid in cash. We recommended that the Board receive both the bank reconciliations and the bank statements. The bank statements include copies of the cancelled checks, and all payments are listed. A quick review of the bank statement could serve to prevent the failure of the dual signature standard.

OTHER MATTERS

We applied certain limited procedures to the MD&A, Budget and Actual schedules by fund type, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

This information is intended solely for the information and use of the Honorable Mayor and City Council and management of the City of Fruitvale, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "MCPA, P.C." in a stylized, cursive-like font.

MCPA, P.C.