CITY OF FRUITVALE, TEXAS

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020

MURREY PASCHALL & CAPERTON, 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, 2020

CITY COUNCIL

Vicki Ferguson Mayor Brandon Russell Mayor Pro Tem

Jami Tillery Treasurer Susan Murre Secretary Tamara

Jackson Council Cindy Lambert Council

VFD CHIEF

Chris Barker

Murrey Paschall & Caperton PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Fruitvale, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Fruitvale, Texas'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 and each major fund of the City of Fruitvale, Texas, as of December 31, 2020, and the respective changes in financial position, 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 on pages 5-10 and page 25 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 REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of the City of Fruitvale, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fruitvale, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fruitvale, Texas's internal control over financial reporting and compliance.

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.
Forney, Texas
April 28, 2021

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, 2020. 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

- Please note the 2019 Financial Statements were unaudited. Thus, any comparison values in this reports are for informational purposes only.

- The City's assets exceeded its liabilities by $71,701 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $56,736.

- Total net assets are comprised of the following:
  1) Capital assets of $32,347.
  2) Unrestricted net assets of $39,354 represent the portion available to maintain the City's continuing obligations to citizens.

- The City's general fund reported total ending fund balance of $39,354 this year. This compares to the prior year ending fund balance of $33,569, showing an increase of $5,785 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.

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. There are currently 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 one governmental fund, the General Fund.

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.

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

The City adopts an annual budget for its General Fund, as required by the General Statutes. 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 theses current period activities. The budgetary schedule provided 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. The statement shows three columns: 1) the original & final budget as amended by the Council (if any changes); 2) the actual resources, charges to appropriations, and ending balances in the General Fund and 3) the difference or variance between the final budget and the actual resources and charges.

The budgetary comparison statement can be found on page 25 of this

report. *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 $71,701. This is a $14,965 increase over last year’s net assets of $56,736.

A portion of the City’s net assets (45%) reflects 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 $39,354 may be used to meet the government’s ongoing obligation to citizens and creditors.

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

Summary of Net Assets

Governmental Activities
2020 2019
UN-AUDITED

Current and other assets $ 39,354 $ 33,569 Capital assets 32,347 23,167 Total Assets 71,701 56,736

Liabilities - -

Net assets:
Invested in capital assets,
net of related debt 32,347 23,167 Unrestricted 39,354 33,569 Total Net Assets $ 71,701 $ 56,736

The City reported a positive balance in net assets for governmental activities as net assets increased by $14,965.

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

Summary of Changes in Net Assets

General Fund General Fund
2020 % 2019 %
UN-AUDITED

General Revenues:
Sales Tax $ 45,052 83.13 $ 37,022 73.48 Franchise 6,353 11.72 7,473 14.83 Building Rental 1,691 3.12 1,693 3.36
Fees and Misc. 1,097 - 2.02 4,190 - 8.33
Total Revenue 54,193 100.00 50,378 100.00

Expenses:
General Government 39,228 100.00 20,492 100.00 Total Expenses 39,228 100.00 20,492 100.00 Increase in Net Assets 14,965 29,886 Beginning Net Assets 56,736 26,850 Ending Net Assets $ 71,701 $ 56,736

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 $39,354. Of this year-end total, the entire amount is unassigned indicating availability 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 increased by $5,785. It is the City's only Fund.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities, net of depreciation, as of December 31, 2020 is $32,347. These primarily include the City Hall Building and improvements. Depreciation expense for the year ended December 31, 2020 amounted to $2,845.

Additional information regarding the City of Fruitvale's capital assets can be found in Note 5 on page 22.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for fiscal year 2020 was $14,232. The general fund budget complied with financial policies approved by the City Council and maintained core services. Budgetary comparisons are found on page 25 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET CONSIDERATIONS

General Fund expenses and revenues for the 2021 fiscal year are budgeted to remain consistent with the 2020 budget aside from the purchase of a new property. The City is expected to complete the purchase of the United Methodist Property by mid-2021 for $50,000.

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 demonstrates 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, 2020

Government Activities

Assets

Cash & Equivalents 31,015$ Receivables 8,339 Total Current Assets 39,354

Capital Assets

Land 5,000 Building 89,563 Equipment 7,631 Accumulated Depreciation (69,847)
Total Capital Assets 32,347 Total Assets 71,701$

Liabilities
Accounts Payable - Total Liabilities -

Net Assets
Investment in Capital Assets 32,347 Unrestricted 39,354 Total Net Assets 71,701$

The accompanying notes are an integral part of the financial

statements. 11

CITY OF FRUITVALE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

PROGRAM REVENUE

Net
Charges for Revenue
Expenses Services (Expense)

Primary Government

Government Activities

General Government 39,228 - (39,228) 39,228$ -$ $ (39,228)

Change in Net Assets

Net (Expenses) Revenue $ (39,228)

General Revenue

Franchise Taxes 6,353 Sales Tax 45,052 Building Rental Income 1,691 Miscellaneous 1,097

Total General Revenue 54,193

Change in Net Assets 14,965

Net Assets: Beginning 56,736 Net Assets: Ending 71,701$

The accompanying notes are an integral part of the financial

statements. 12

CITY OF FRUITVALE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

General Fund

Assets

Cash & Equivalents $ 31,015 Receivables 8,339 Total Current Assets 39,354

Total Assets $ 39,354

Liabilities
Accounts Payable $ - Total Liabilities -

Fund Balance
Unassigned 39,354 Total Liabilities and Fund Balance $ 39,354

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, 2020

Total Fund Balance - Total Governmental Funds $ 39,354

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. 102,194

Accumulated depreciation has not been included
in the governmental fund financial statements. (69,847) Net Assets of Governmental

Activities $ 71,701

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

Revenues

CITY OF FRUITVALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

General Fund

Franchise Taxes $ 6,353 Sales Tax 45,052 Building Rental Income 1,691 Miscellaneous 1,097 Total 54,193

Expenditures

Facilities and Equipment 28,229 Operations 2,285 Other Miscellaneous 5,869 Capital Expenditures 12,025 Total 48,408

Net Change in Fund Balance 5,785 Fund Balance: Beginning 33,569 Fund

Balance: Ending $ 39,354

The accompanying notes are an integral part of the financial

statements. 15

CITY OF FRUITVALE, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balance - Total Governmental Funds 5,785$

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. 12,025

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. (2,845) Change Net Assets of

Governmental Activities 14,965$

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

CITY OF FRUITVALE, TEXAS NOTES
TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020.

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 428 as of 2019. 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.

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 fund is reported individually and as a total under total governmental funds. It is currently the only governmental fund of the City.

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 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 General Fund is the only operating fund of the City. 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.

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

Asset Class	Estimated Useful Life
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. The City did not have any long term debt in the current fiscal year.

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

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:

Violation	Action Taken
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:

Fund Name	Deficit Amount
None Reported	Not applicable

Budgets and Budgetary Accounting

- The budget is formally adopted by ordinance by the Mayor and Council members before December 31 of each fiscal year.

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.

• Cash Deposits – At December 31, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts

included in temporary investments) was $31,015. The City's cash deposits at December 31, 2020 and during the year ended December 31, 2020 were entirely covered by FDIC insurance.

NOTE IV. RECEIVABLES

Receivables at December 31, 2020 for the government's individual major fund is as follows. There is no allowance for uncollectible accounts.

• Taxes (sales) $ 8,339

NOTE V. CAPITAL ASSETS

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

	Equipment	Building/ Improvements	Total
Balances as of December 31, 2019	$ 5,606	$ 84,563	$ 90,169
Increases (Decreases)	2,025	10,000	12,025
Balances as of December 31, 2020	7,631	94,563	102,194
Accumulated Depreciation:			
Balances as of December 31, 2019			(67,002)
Increases (Decreases)			(2,845)
Balances as of December 31, 2020			(69,847)
Net Capital Assets			$ 32,347

Depreciation expense is charged to the General Government.

NOTE VI. LONG-TERM OBLIGATIONS

The City has no long-term obligations as of December 31, 2020.

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 to be formed at a later date. As the EDC has yet to be officially established, all funds are consolidated into the General Fund for purposes of this report. If the funds were to be separated, total Sales Tax Collected/Received by the City from 2018 through 2020 were $80,288 of which $20,072 would be used to establish the EDC.

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.

NOTE IX. LITIGATION

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

NOTE X. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after December 31, 2020 up through April 28, 2021, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

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.

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, 2020

NON-GAAP BUDGETARY BASIS

Budget Budget

Original Final Actual Variance

Revenues

Franchise Taxes 7,188$ 7,188$ 6,353$ $ (835) Sales Tax 30,000 30,000 45,052 15,052 Building Rental Income 2,100 2,100 1,691 (409) Miscellaneous 3,260 3,260 1,097 (2,163) 42,548 42,548 54,193 11,645

Expenditures

F&E - General 218 218 106 (112) F&E - Repairs & Maintenance 542 542 23,664 23,122 F&E - Cleaning Supplies 250 250 91 (159) F&E - Trash Services 780 780 792 12 F&E - Utilities 3,463 3,463 2,736 (727) F&E - Utilities Gas 807 807 840 33 Operations - Fees - - 13 13 Operations - Subscriptions 471 471 382 (89) Operations - Postage 95 95 128 33 Operations - Printing - - 12 12 Operations - Supplies - - 1,555 1,555 Operations - Telephone - - 195 195 Misc - Cleanup 2,085 2,085 45 (2,040) Misc - TML Insurance 5,521 5,521 5,824 303 Capital Expenditures - - 12,025 12,025 14,232 14,232 48,408 34,176

Net Change in Fund Balance 28,316 28,316 5,785 (22,531) Fund Balance: Beginning 33,569 33,569 33,569 Fund Balance: Ending 61,885$ 61,885$ 39,354$

***Actual expenditures for repairs and maintenance included $23,316 unbudget roof repairs. **Actual expenditures for capital expenditures included $10,000 escrow payment on Methodist Church Property and $2,025 equipment.*

See independent auditor's report.

Murrey Paschall & Caperton PC

Certified Public Accountants

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*

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

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 and each major fund of the City of Fruitvale, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Fruitvale, Texas' basic financial statements as listed in the table of contents, and have issued our report thereon dated April 28, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City of Fruitvale, Texas' 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 of Fruitvale, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fruitvale, Texas' 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 of Fruitvale, Texas' 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.

Forney, Texas
April 28, 2021