

CITY OF NEW FAIRVIEW, TX

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
CITY OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	3-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
Notes to Financial Statements	14-31
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	32
Schedule of Changes in Net Pension Liability and Related Ratios	33
Schedule of Pension Contributions	34
Schedule of Changes in Total OPEB Liability and Related Ratios	35

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Certified Public Accountants
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Independent Auditor's Report

To the City Council
City of New Fairview, Texas

I have audited the accompanying financial statements of the governmental activities and major funds of the City of New Fairview, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of 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 controls 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 New Fairview, Texas, as of September 30, 2018, 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, the budgetary comparison schedule, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions and the schedule of changes in total OPEB liability be presented to supplement the basic financial statements. Such information, although not 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. I 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

William C. Spore, P.C.

Keller, Texas

Certified Public Accountants

September 14, 2020

CITY OF NEW FAIRVIEW, TX

CITY OFFICIALS

September 30, 2018

MAYOR	Joe Max Wilson
MAYOR PRO TEM	Scott Johnson
COUNCIL MEMBERS	Mike Georgia
	Curtis Kent
	Mark McClarity
	Rick White
SECRETARY	Monica Rodriguez
MUNICIPAL COURT JUDGE	Manuel Valdez

CITY OF NEW FAIRVIEW MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of New Fairview, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

Management's discussion and analysis ("MD&A") has been designed to [1] assist readers and interested parties in focusing on significant financial issues [2] provide an overview of the City's financial activity, [3] identify changes in the City's financial position, including its ability to address the next and subsequent years challenges, [4] identify material deviations from the approved budgets adopted by the City Council (those charged with governance), and [5] identify individual fund issues or concerns.

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- The City's government-wide assets exceeded its government-wide liabilities on September 30, 2018 by \$1,205,421, a decrease of \$35,526 from the prior year.
- On September 30, 2018, the City's governmental funds reported fund balances of \$21,790 a decrease of \$95 from the prior year.
- The City's capital assets, reported at cost less accumulated depreciation, total \$1,256,487 on September 30, 2018 while the City's outstanding long-term debt totaled \$15,906 on September 30, 2018.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole - Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities:

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

The Statement of Net position (page 10) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The City currently only provides Governmental type activities. Governmental activities include basic services such as police, municipal court, code enforcement, inspection, public works, and general administration. Sales taxes, franchise fees, municipal court fines and permit revenues finance most of these activities. The City does not provide any Business-type activities such as water or sewer systems and related fees.

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

All of the City's activities are accounted for in the Governmental Funds. Governmental funds focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements, the Balance Sheet (page 12) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 13) provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position is its investment in capital assets, (land, building, equipment, and infrastructure.) The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net position are as follows:

	NET POSITION	
	2018	2017
Current and Other Assets	\$ 64,660	\$ 34,242
Capital Assets	<u>1,256,487</u>	<u>1,301,736</u>
Total Assets	<u>1,321,147</u>	<u>1,335,978</u>
Deferred Outflows of Resources	<u>12,159</u>	<u>13,236</u>
Long-Term Liabilities	19,506	29,734
Net Pension & OPEB Liabilities	63,031	61,091
Other Liabilities	<u>42,870</u>	<u>12,357</u>
Total Liabilities	<u>125,407</u>	<u>103,182</u>
Deferred Inflows of Resources	<u>2,478</u>	<u>0</u>
Net Position:		
Invested in Capital Assets, net of debt	1,236,981	1,272,002
Unrestricted	<u>(31,560)</u>	<u>(25,970)</u>
Total Net Position	<u>\$ 1,205,421</u>	<u>\$ 1,246,032</u>

The City's net position decreased \$35,526 from September 30, 2017 to September 30, 2018. The largest portion (100%) of the City's net position is its investment in capital assets, (land, building, equipment, and infrastructure.) The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending.

During the fiscal year 2018 the City did not add any capital assets it and reduced its long-term debt by \$10,228. The City's actuarially calculated net pension liability decreased \$3,620 (6%) from September 2017 to September 2018.

Analysis of City's Operations

A summary of the City's operations for the years ended September 30, 2018 & 2017 are as follows:

	CHANGES IN NET POSITION	
	2018	2017
REVENUES		
Program Revenues:		
Charges for Services	\$ 73,714	\$ 20,780
General Revenues:		
Sales Taxes	134,966	109,678
Franchise Fees	46,234	45,110
Interest Income	52	120
Total Revenues	<u>\$ 254,966</u>	<u>\$ 175,688</u>
PROGRAM EXPENSES		
General Government	\$ 228,811	\$ 200,039
Public Safety	27,239	25,535
Public Works	32,610	30,401
Interest on Long-Term Debts	1,832	2,321
Total Expenses	<u>290,492</u>	<u>258,296</u>
Increase (Decrease) in		
Net Position	<u>\$ (35,526)</u>	<u>\$ (82,608)</u>

Charges for services revenues includes permit revenues and municipal court fines. Permit revenues increased \$46,733 (255%) due to the development of new subdivisions in the City and municipal court revenues increased \$6,417 (337%) as more citations were presented to the City's court for processing.

The City's sales tax revenues increased \$25,288 (23%) due an increase in retail sales in the City.

Total program expenses increased \$32,196 (12.5%) in 2018 from 2017 primarily due to an increase in personnel costs and increased professional fees related to the new residential developments in the City.

GOVERNMENTAL FUND ANALYSIS

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

Governmental fund operating revenues and expenditures compared to the prior year are as follows:

		2018		2017	% CHANGE
REVENUES					
Sales Taxes	\$	134,966	\$	109,678	23.06%
Franchise Fees		46,234		45,110	2.49%
Permits & Fees		65,025		18,292	255.48%
Municipal Court		8,320		1,903	337.20%
Miscellaneous Revenues		369		585	-36.92%
Interest Income		52		120	-56.67%
TOTAL REVENUES	\$	254,966	\$	175,688	45.12%
		2018		2017	% CHANGE
EXPENDITURES					
General Government	\$	206,536	\$	174,656	18.25%
Public Safety		27,239		25,535	6.67%
Public Works		9,226		7,017	31.48%
Debt Service		12,060		12,587	-4.19%
Capital Outlay		0		2,069	-100.00%
TOTAL EXPENDITURES	\$	255,061	\$	221,864	14.96%
CHANGE IN FUND BALANCE	\$	(95)	\$	(46,176)	

Fund basis revenues increased \$79,278 (45%) due the increase in sales tax, court, and permit revenues noted above.

Governmental fund operating expenditures increased \$33,197 (15%) due to increased expenditures for personnel costs and professional fees.

Debt service expenditures represent the principal and interest payments made on the parking lot loan. A principal reduction of \$10,228 was made in fiscal year 2018.

General Fund Budgetary Highlights

Actual general fund revenues were \$51,048 greater than budgeted revenues primarily due to increases in sales tax, municipal court and permit revenues received in 2018. The 2018 budget for revenues was based on prior years collections for the revenue line items.

Total actual 2018 general fund expenditures were \$61,590 greater than budgeted general fund expenditures. General government expenditures were \$42,607 (27%) over budget, municipal court was \$1,057 (32%) over budget, police was \$3,102 (13%) over budget and public works was \$2,764 (43%) over budget.

Long-term debt payments of \$12,060 were made during the fiscal year but the debt payments were not included in the budget.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2018 amounts to \$1,301,736 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

There were no capital additions during the fiscal year.

The City's capital assets, net of accumulated depreciation, are as follows:

	2018	2017
Land	\$ 256,193	\$ 256,193
Buildings & Improvements	820,842	841,843
Equipment	2,932	3,797
Infrastructure-Streets	<u>176,520</u>	<u>199,903</u>
TOTAL	\$ <u><u>1,256,487</u></u>	\$ <u><u>1,301,736</u></u>

Additional information on the City's Capital Assets can be found in Note 4.

DEBT ADMINISTRATION

The City did not incur any new long-term debts in fiscal year 2018.

Outstanding long-term debts are as follows:

	2018	2017
Notes Payable	<u>19,506</u>	<u>29,734</u>
TOTAL	\$ <u><u>19,506</u></u>	\$ <u><u>29,734</u></u>

Additional information on the City's long-term debts can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2019 general fund budget is a surplus budget as budgeted revenues exceed budgeted expenditures by \$28,038. This surplus is intended to be added to the City's reserve funds.

General fund budgeted revenues for fiscal year 2019 are \$219,396. These revenues include sales tax, franchise fees, permit and municipal court revenues which were budgeted at levels comparative to the 2018 actual revenues.

Budgeted 2019 general fund expenditures are \$191,358. There were no budgeted expenditures included for capital outlay or debt service.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City of New Fairview. If you have questions about this report or need any additional information, contact the City Secretary at 999 Illinois Lane, New Fairview, TX 76078 or at (817) 638-5366.

CITY OF NEW FAIRVIEW, TX
GOVERNMENT-WIDE
STATEMENT OF NET POSITION

September 30, 2018

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 43,325
Receivable-Sales Taxes	21,335
TOTAL CURRENT ASSETS	<u>64,660</u>
CAPITAL ASSETS	
Land	256,193
Buildings & Improvements	916,542
Equipment	108,548
Infrastructure-Roads	350,754
Accumulated Depreciation	(375,550)
NET CAPITAL ASSETS	<u>1,256,487</u>
TOTAL ASSETS	<u>\$ 1,321,147</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension & OPEB Contributions After Measurement Date	\$ 5,345
Difference in Expected and Actual Pension Experience	4,117
Pension Assumption Changes	2,432
OPEB Assumption Changes	265
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,159</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 38,240
Accrued Liabilities	4,630
Notes Payable	19,506
Net Pension Liability	57,471
OPEB Liability	5,560
TOTAL CURRENT LIABILITIES	<u>125,407</u>
TOTAL LIABILITIES	<u>\$ 125,407</u>
DEFERRED OUTFLOWS OF RESOURCES	
Difference in Projected and Actual Earnings-Pension	\$ 2,478
NET POSITION	
Invested in Capital Asset, Net of Related Debt	1,236,981
Unrestricted (Deficit)	(31,560)
TOTAL NET POSITION	<u>\$ 1,205,421</u>

CITY OF NEW FAIRVIEW, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & DONATIONS</u>	<u>CAPITAL GRANTS & REIMBURSE- MENTS</u>	<u>NET (EXPENSE) REVENUE</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (228,811)	\$ 65,394	\$ 0	\$ 0	\$ (163,417)
Public Safety	(27,239)	8,320	0	0	(18,919)
Public Works	(32,610)	0	0	0	(32,610)
Interest on Long-Term Debt	(1,832)	0	0	0	(1,832)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (290,492)	\$ 73,714	\$ 0	\$ 0	(216,778)
GENERAL REVENUE					
Sales Taxes					134,966
Franchise Fees					46,234
Interest Income					52
TOTAL GENERAL REVENUE					181,252
CHANGE IN NET POSITION					(35,526)
NET POSITION - BEGINNING (AS RESTATED, SEE NOTE 8)					1,240,947
NET POSITION - ENDING					\$ 1,205,421

CITY OF NEW FAIRVIEW, TX

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2018

ASSETS		
Cash		\$ 43,325
Receivables:		
Sales Taxes		21,335
TOTAL ASSETS		<u>64,660</u>
LIABILITIES		
Accounts Payable		38,240
Accrued Payroll Expenses		4,630
TOTAL LIABILITIES		<u>42,870</u>
FUND BALANCE		
Unassigned		21,790
TOTAL FUND BALANCE		<u>21,790</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES		<u>\$ 64,660</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**

September 30, 2018

Fund Balance Above		\$ 21,790
Amounts reported for governmental activities 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 Fund Balance Sheet		1,256,487
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet:		(19,506)
Net Pension Liability and related deferred inflows and deferred outflows of Resources		(48,116)
OPEB Liability and related deferred inflows and deferred outflows of Resources		(5,234)
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,205,421</u>

CITY OF NEW FAIRVIEW, TX

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018

Net Change in Fund Balance - Governmental Funds \$ (95)

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

Governmental funds report capital outlay as expenditures. However,
in the statement of activities the cost of these assets is allocated
over the estimated useful lives as depreciation expense:

Capital assets recorded in the current period 0

Depreciation expense on capital assets (45,249)

The issuance of debt is revenue in the governmental funds, but increases
long-term liabilities in the statement of net assets: 0

Repayment on debt principle is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement
of net position: 10,228

Governmental funds report pension expense as it paid into the retirement
plan during the fiscal year. However, in the statement of activities pension
and OPEB expense reflects the change in net pension liability and related
deferred inflows and outflows of resources. (410)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (35,526)

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The City of New Fairview operates under a Council-Mayor form of government, following the laws of a General Law City as defined by the State of Texas. The City provides the following services: code enforcement, inspection, police, municipal court, public works, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The more significant accounting policies of the City are discussed below:

A. REPORTING ENTITY

These financial statements present the City (the primary government). The City has no component units (separately administered organizations that are controlled or dependent on the City).

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's code enforcement inspection, police, municipal court, public works, and general administrative services are classified as governmental activities. The City does not provide any business-type activities.

In the government-wide Statement of Net Position governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, and public works). The functions are also supported by general government revenues (property, sales, and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

The net costs (by function) are normally covered by general revenue (property, sales, and franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City only provides Governmental Fund type activities and these activities are accounted for the General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City.

The City does not provide any Business-type activities.

The City does not have any Fiduciary Funds.

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

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

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. “Measurable” means the amount of the transaction can be determined and “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized only when payment is due.

3. Revenue Recognition:

The City considers property, sales, and franchise taxes as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

4. Use of Estimates:

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

5: New Accounting Principles:

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of New Fairview.

- Statement no, 88, *Certain Disclosures Related to Debt*. This statement is effective for fiscal years beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2019.
- Statement No. 90, *Majority Equity Interests*. This statement will not affect the City.

The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2019, as required.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Office Equipment	3 - 10 years
Infrastructure	15 - 20 years

3. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

4. Compensated Absences:

The City Secretary is the only paid employee of the City. The amount, if any, of any accrued compensated absences is immaterial and is not recorded in these financial statements.

5. Deferred Outflows of Resources:

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) a deferred outflow of resources for contributions made to the City's retirement and OPEB plans between the measurement date of the net pension liabilities from the plan and the end of the City's fiscal year end (2) deferred outflows related to differences in expected and actual pension experience and (3) differences between actuarial assumptions for demographic factors.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

The deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences in expected and actual pension experience will be amortized to expense over 3.36 to 7.79 years, including the current year and the deferred outflows related to assumption changes will be amortized to expense over 3.36 years, including the current year.

No deferred outflows of resources affect the governmental funds financial statements in the current year.

6. Deferred Inflows of resources:

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements include (1) a deferred inflow of resources for revenues that are not considered available and (2) deferred inflows of resources related to differences between the plans' projected and actual earnings. The City will not recognize the related revenues until they are available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

The deferred inflows of resources related to differences between the plans' projected and actual earnings will be amortized to expense over 5 years, including the current year.

No deferred inflows of resources affect the governmental funds financial statements in the current year.

7. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

8. Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a: Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

F: BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above budgeted funds lapse at the end of the fiscal year.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

For the fiscal year ending September 30, 2018 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Administration	\$ 42,607
Municipal Court	\$ 1,057
Police	\$ 3,102
Public Works	\$ 2,764
Debt Service	\$ 12,060

NOTE 2: DEPOSITS:

At September 30, 2018, the carrying amount of the City's cash accounts were \$43,325, made up of petty cash of \$100 and \$43,225 held in checking accounts at two local financial institution. The City did not own any investments at September 30, 2018.

Deposit and Investment Risk Disclosures:

(1) Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2018, the City's bank balances (per bank) totaled \$48,056. All of the bank balances were covered by federal depository insurance. The City was not exposed to any custodial credit risk at September 30, 2018.

(2) Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City does not currently own any investments and, therefore, is not exposed to credit risk.

(3) Concentration of credit risk - This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not currently own any investments and, therefore, is not exposed to interest rate risk.

NOTE 3: PROPERTY TAX:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes at the fund level are recorded as receivables and deferred revenues at the time taxes are assessed. Revenues are recognized as the related taxes are collected.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2018 is as follows:

	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciation:				
Land	\$ 256,193	\$ 0	\$ 0	256,193
Construction in Progress	0	0	0	0
Total Cap't Assets Not Being Depreciation	<u>256,193</u>	<u>0</u>	<u>0</u>	<u>256,193</u>
Building & Improvements	916,542	0	0	916,542
Equipment	108,548	0	0	108,548
Infrastructure-Roads	350,754	0	0	350,754
Total Cap't Assets Being Depreciated	<u>1,375,844</u>	<u>0</u>	<u>0</u>	<u>1,375,844</u>
LESS ACCUMULATED DEPRECIATION				
Building & Improvements	74,697	21,001	0	95,698
Equipment	104,752	864	0	105,616
Infrastructure	150,852	23,384	0	174,236
Total Accumulated Depreciation	<u>330,301</u>	<u>45,249</u>	<u>0</u>	<u>375,550</u>
Net Capital Assets Being Depreciated	<u>1,045,543</u>	<u>(45,249)</u>	<u>0</u>	<u>1,000,294</u>
Net Capital Assets	<u>\$ 1,301,736</u>	<u>\$ (45,249)</u>	<u>\$ 0</u>	<u>1,256,487</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 21,865
Public Works	23,384
TOTAL DEPRECIATION EXPENSE	<u>\$ 45,249</u>

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 5: LONG-TERM DEBT:

During fiscal year 2015 the City borrowed \$60,000 from a local financial institution to provide funds for parking lot improvements at City Hall. The original loan matured and has been refinanced several times, most recently in May 2017. The loan requires monthly interest payments at 6.5% and the loan matures May 4, 2020. The loan is unsecured. The balance outstanding at September 30, 2018 was \$19,506.

General long-term debt activity for the fiscal year is as follows:

GOVERNMENTAL ACTIVITIES:	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Notes Payable	\$ 29,734	\$ 0	\$ (10,228)	\$ 19,506	\$ 10,000

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2019	\$ 10,000	\$ 1,549	\$ 11,549
2020	9,506	889	10,395
	<u>\$ 19,506</u>	<u>\$ 2,438</u>	<u>\$ 21,944</u>

NOTE 6: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 883 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at www.TMRS.com.

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

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

B. Benefits provided

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

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

The City has adopted the following plan provisions:

	Plan Year 2017	Plan Year 2018
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

At the December 31, 2017 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>1</u>
	2

C. Contributions

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

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.77% and 7.55% for the calendar years 2018 and 2017, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2018 were \$5,284 and were equal to the required contributions.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate:

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

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 133,081	\$ 71,990	\$ 61,091
Service Cost	5,833		5,833
Interest	9,130		9,130
Differences between expected and actual results	1,814		1,814
Change in Assumptions	0		0
Contributions - employer		5,383	(5,383)
Contributions - employee		5,072	(5,072)
Net investment income		9,997	(9,997)
Benefit Payments, including refunds of employee contributions	(1,478)	(1,478)	0
Administrative expense		(52)	52
Other		(3)	3
Net Changes	<u>15,299</u>	<u>18,919</u>	<u>(3,620)</u>
Balance at December 31, 2017	<u>\$ 148,380</u>	<u>\$ 90,909</u>	<u>\$ 57,471</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ <u>91,654</u>	\$ <u>57,471</u>	\$ <u>30,522</u>

Pension Plan Fiduciary Net Position:

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

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

E: Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2018 the City recognized pension expense of \$6,921.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		Net
Differences between expected and actual economic experience	\$ 4,117	\$	0	\$	4,117
Differences between projected and actual investment earnings	0		2,478		(2,478)
Assumption Changes	2,432		0		2,432
To be recognized in the future	6,549		2,478	\$	4,071
Contributions subsequent to the measurement date	5,284		0		
Total	\$ 11,833	\$	2,478		

The \$5,284 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,					
2018		\$	1,765		
2019			1,642		
2020			(10)		
2021			(511)		
2022			518		
Thereafter			667		
		\$	4,071		

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A: Benefit Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SBDF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employer's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SBDF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

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

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

At the December 31, 2017 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>1</u>
	2

B: Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2017, and the Total OPEB Liability was determined by actuarial valuation as of that date.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.31%
Retiree's share of benefit costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 10#% with a e year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in Total OPEB Liability:

Balance at December 31, 2016	\$	5,085
Changes for the year		
Service Cost		43
Interest on Total OPEB Liability		192
Changes in Benefit Terms		0
Differences between expected and actual results		0
Changes in assumptions or other inputs		305
Benefit Payments *		(65)
Net Changes		<u>475</u>
Balance at December 31, 2017	\$	<u>5,560</u>

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

Sensitivity of the OPEB liability to changes in the discount rate:

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.31%)	Current (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ <u>6,238</u>	\$ <u>5,560</u>	\$ <u>4,954</u>

C: OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2018 the City recognized OPEB expense of \$227. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 0	\$ 0	\$ 0
Differences in assumptions	<u>265</u>	<u>0</u>	<u>265</u>
To be recognized in the future	265	0	<u>\$ 265</u>
 Contributions subsequent to the measurement date	 <u>61</u>	 <u>0</u>	
Total	\$ <u>326</u>	\$ <u>0</u>	

The \$61 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,		
2018	\$	40
2019		40
2020		40
2021		40
2022		40
Thereafter		<u>65</u>
	\$	<u>265</u>

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 8: ADOPTION OF GASB 75:

The City has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* effective with these financial statements. In accordance with this statement, the City has restated its September 30, 2017 government-wide unrestricted net positions to reflect the amount of net OPEB liability as of September 30, 2017. The amount of the required restatements is as follows:

	Increase in Total OPEB <u>Liability</u>	Decrease in Unrestricted <u>Net Position</u>
Governmental Activities	\$5,085	\$5,085

NOTE 9: DEFICIT NET POSITION:

A deficit unrestricted net position of \$31,560 exists in the governmental-wide statement of net position resulting from the City recognizing its net pension liability of \$57,471.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (“TMLIRP”) which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

NOTE 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2019 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW FAIRVIEW, TX
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)			
Sales Taxes	\$ 117,133	\$ 134,966	\$ 17,833
Franchise Fees	44,255	46,234	1,979
Municipal Court Revenues	1,925	8,320	6,395
Permits & Fees	21,605	32,016	10,411
Developer Reimbursements	19,000	33,009	14,009
Other Revenues	0	369	369
Interest Income	0	52	52
TOTAL RESOURCES (INFLOWS)	203,918	254,966	51,048
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General Government:			
Wages	67,184	79,404	(12,220)
Payroll Taxes	8,768	6,680	2,088
Health Insurance	7,000	7,250	(250)
Retirement	3,602	6,738	(3,136)
Animal Control	775	1,295	(520)
Contract Labor-Office	10,656	11,944	(1,288)
Contract Labor-Code Enforcement	2,175	9,460	(7,285)
Dues, Memberships & Training	1,718	1,743	(25)
Engineer Services	4,125	11,210	(7,085)
Inspections	13,574	11,735	1,839
Insurance	5,464	5,579	(115)
Legal Services	8,410	12,495	(4,085)
Miscellaneous Expenses	1,447	1,449	(2)
Office & Computer Supplies	2,539	3,256	(717)
Planning Services	10,320	18,792	(8,472)
Public Notices	1,036	1,536	(500)
Repair & Maintenance-Bldg. & Equip.	315	360	(45)
Street Lights	2,691	1,876	815
Telephone & Internet	4,475	3,378	1,097
Utilities	3,318	6,019	(2,701)
Total General Government	159,592	202,199	(42,607)
Municipal Court:			
Dues, Memberships & Training	220	0	220
Judge	1,691	2,450	(759)
Postage	0	450	(450)
Software	1,369	1,437	(68)
Total Municipal Court	3,280	4,337	(1,057)
Police:			
Contract Labor	24,137	27,239	(3,102)
TOTAL Police	24,137	27,239	(3,102)

CITY OF NEW FAIRVIEW, TX
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2018

	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
Public Works			
Contract Labor	4,334	4,655	(321)
Equipment Repair	733	598	135
Fuel	0	277	(277)
Street Repairs	1,395	3,696	(2,301)
TOTAL Public Works	6,462	9,226	(2,764)
Debt Service:			
Interest Paid	0	1,832	(1,832)
Principal Paid	0	10,228	(10,228)
Total Debt Service	0	12,060	(12,060)
Capital Outlay:			
Building Improvements	0	0	0
TOTAL CAPITAL OUTLAY	0	0	0
TOTAL APPROPRIATIONS (OUTFLOWS)	193,471	255,061	(61,590)
EXCESS OF RESOURCES OVER UNDER APPROPRIATIONS	10,447	(95)	\$ <u>(10,542)</u>
BEGINNING BUDGETARY FUND BALANCE	21,885	21,885	
ENDING BUDGETARY FUND BALANCE	\$ <u>32,332</u>	\$ <u>21,790</u>	\$

CITY OF NEW FAIRVIEW, TX

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2018

Plan Year	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service Cost	\$ 5,833	5,743	5,372	7,487
Interest (on the Total Pension Liability)	9,130	8,150	7,181	6,568
Changes in benefit terms	0	0	0	0
Difference between expected and actual experience	1,814	2,051	1,955	249
Change of assumptions	0	0	5,525	0
Benefit payments, including refunds of employee contributions	(1,478)	(1,478)	(2,633)	(6,348)
NET CHANGE IN TOTAL PENSION LIABILITY	15,299	14,466	17,400	7,956
TOTAL PENSION LIABILITY - BEGINNING	133,081	118,615	101,215	93,259
TOTAL PENSION LIABILITY - ENDING (a)	\$ 148,380	133,081	118,615	101,215
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 5,383	3,324	3,548	3,750
Contributions - Employee	5,072	4,994	4,922	6,265
Net investment income	9,997	4,135	81	2,793
Benefit payments, including refunds of employee contributions	(1,478)	(1,478)	(2,633)	(6,348)
Administrative expense	(52)	(47)	(50)	(29)
Other	(3)	(3)	(2)	(2)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	18,919	10,925	5,866	6,429
PLAN NET FIDUCIARY POSITION - BEGINNING	71,990	61,065	55,199	48,770
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 90,909	71,990	61,065	55,199
NET PENSION LIABILITY (a) - (b)	\$ 57,471	61,091	57,550	46,016
Plan Fiduciary Net Position as a percentage of Total Pension Liability	61.27%	54.09%	51.48%	54.54%
Covered employee payroll	\$ 72,455	71,336	70,312	89,497
Net Pension Liability as a percentage of covered payroll	79.32%	85.64%	81.85%	51.42%

CITY OF NEW FAIRVIEW, TX

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 6,660	4,933	3,477	3,719
Contributions in relation to the actuarially determined contribution	6,660	4,933	3,477	3,719
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	79,404	71,944	70,429	71,035
Contributions as a percentage of covered employee payroll	8.39%	6.86%	4.94%	5.24%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year

CITY OF NEW FAIRVIEW, TX

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2018

Plan Year	<u>2017</u>
TOTAL OPEB LIABILITY	
Total OPEB Liability Beginning of Year	\$ 5,085
Changes for the year	
Service Cost	43
Interest on Total OPEB Liability	192
Changes in benefit terms	0
Difference between expected and actual experience	0
Change of assumptions or other inputs	305
Benefit payments	<u>(65)</u>
NET CHANGE IN OPEB LIABILITY	<u>475</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u><u>\$ 5,560</u></u>
Covered employee payroll	\$ 72,455
OPEB Liability as a percentage of covered payroll	7.67%

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

WILLIAM C. SPORE, P.C.
Certified Public Accountants
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Keller, TX 76248
817-421-6619

To the City Council
City of New Fairview, Tx.

In planning and performing my audit of the financial statements of the governmental activities and major fund of the City of New Fairview, Tx. as of and for the year ending September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, I considered the City of New Fairview' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A materiel 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.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

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

William C. Spore, PC
Certified Public Accountants

September 14, 2020