

CITY OF NEW FAIRVIEW, TEXAS

FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2012

**PETER J. CHANEY, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

**Mansfield, Texas**

**City of New Fairview, Texas**

Comprehensive Annual Financial Report for the  
Year Ended September 30, 2012

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
THE CITY OF NEW FAIRVIEW, TEXAS  
YEAR ENDED SEPTEMBER 30, 2012**

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CITY OF NEW FAIRVIEW, TEXAS  
LIST OF PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2012

Joe Max Wilson

Mayor

Louis Moran

Mayor Pro-Tem

City Council

Wes Williams

Aaron Shoop

Mike Georgia

Rick White

Monica Rodriguez

City Secretary

**PETER J. CHANEY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT  
509 Waterlane Drive  
Mansfield, Texas 76063

Telephone: 682-518-7403

## **REPORT OF INDEPENDENT ACCOUNTANTS**

City Council  
City of New Fairview  
Wise County  
999 Illinois Lane  
New Fairview, Texas 76078

We have audited the accompanying basic financial statements of the City of New Fairview, Wise County, Texas, (the City) as of and for the year ended September 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City as of September 30, 2012, and the results of its operations for the year that ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

City of New Fairview  
Wise County  
Report of Independent Accountants  
Page 2

We performed our audit to form an opinion on the basic financial statements of the City, taken as a whole. The combining and individual fund statements and schedules listed in the Table of Contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.

*Peter J. Chaney* CPA P.C.  
Peter J. Chaney, CPA, P.C.

Mansfield, Texas  
November 2, 2012

**CITY OF NEW FAIRVIEW  
999 ILLINOIS LANE  
NEW FAIRVIEW, TEXAS 76078**

**CITY OF NEW FAIRVIEW, TEXAS  
FYE SEPTEMBER 30, 2012  
MANAGEMENT 'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of New Fairview's financial performance provides an overview of the City's financial activities for the year ended September 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 9.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9-10) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the city's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

*Reporting the City as a Whole*

*The Statement of New Assets and the Statement of Activities*

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities reports information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and any changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

## *Reporting the City's Most Significant Funds*

### *Fund Financial Statements*

Our analysis of the City's major funds begins on page 6. The fund financial statements begin on page 11 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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 readily be converted to cash. The governmental fund statements 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 Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

### THE CITY AS A WHOLE

For the year ended September 30, 2012, net assets changed as follows:

	<u>Governmental Activities</u>
Beginning net assets	\$1,330,722
Increase (decrease) in net assets	<u>(47,183)</u>
Ending net assets	<u>\$1,283,539</u>

This reflects a decrease of 3.5 percent for the governmental activities.



*Governmental Activities*

To aid in the understanding of the Statement of Activities some additional explanation is given. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

THE CITY'S FUNDS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year ended September 30, 2012 and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	FYE 9/30/12 <u>Amount</u>	Percent of Total
Taxes	\$330,277	80.72%
Licenses and permits	32,264	7.89%
Fines	38,553	9.42%
Interest	1,767	.43%
Miscellaneous	<u>6,321</u>	<u>1.54%</u>
Total Revenues	<u>\$409,182</u>	<u>100.0%</u>

Sales and franchise taxes decreased \$106,833, or 24.44% from the prior year. Income from permits decreased \$4,865 or, 13.1%. Total revenues decreased \$86,694, or, 16.98%.

The City's expenditures increased \$66,085, or. 16.93%

CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets*

At the end of September 30, 2012, the City had \$676,965 invested in capital assets including equipment, buildings, roads and land (See table below.)

Government  
Activities

	<u>2012</u>
Land	\$256,193
Buildings	38,034
Equipment	102,013
Infrastructure – roads	<u>280,725</u>
	<u>\$676,965</u>

*Debt Administration*

At year-end the City had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City experienced revenue decreases in the past year while expenses increased. This resulted in a deficit of \$47,183.

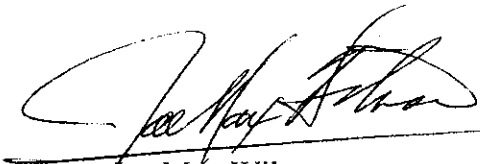
The City anticipates that sales taxes will continue to account for the major portion of revenues.

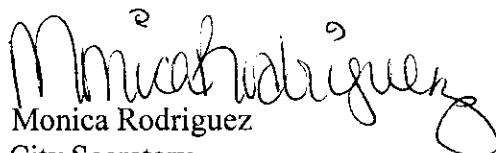
Expenditures for an expanded City Hall are being reviewed for the present. The City will continue to take a conservative approach to major additions to City Hall paying for a significant portion of these expenditures out of cash reserves.

The City's financial position remains strong. The City is debt free. Cash reserves exceed more than six months of operating expenses.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Secretary at 999 Illinois Lane, New Fairview, Texas.

  
Joe Max Wilson  
Mayor

  
Monica Rodriguez  
City Secretary

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets include:

- Government-wide financial statements
- Fund financial statements:

Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**CITY OF NEW FAIRVIEW, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

<b>ASSETS</b>	<u>Governmental Activities</u>
Current Assets:	
Cash	\$ 780,695
	<u>                    </u>
Total Current Assets	<u>780,695</u>
Non-current Assets:	
Capital Assets (net)	517,786
	<u>                    </u>
Total Non-current Assets	<u>517,786</u>
Total Assets	<u><u>\$1,298,481</u></u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 14,942
	<u>                    </u>
Total Current Liabilities	<u>14,942</u>
Total Liabilities	<u>14,942</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	517,786
Unrestricted	<u>765,753</u>
Total Net Assets	<u><u>\$1,298,481</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF NEW FAIRVIEW, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:			
General government	<u>\$456,365</u>	<u>\$ 73,034</u>	<u>\$(383,331)</u>
Total Governmental Activities	<u>\$456,365</u>	<u>\$ 73,034</u>	<u>\$(383,331)</u>
 Changes in Net Assets:			
			<u>Government Activities</u>
Net (expense) revenue			\$ (383,331)
General Revenues:			
Taxes			
Sales and use taxes			298,201
Franchise and public service taxes			32,076
Investment Income			1,767
Miscellaneous			<u>4,104</u>
Total General Revenues			<u>336,148</u>
Change in net assets			(47,183)
Net Assets – beginning			<u>1,330,722</u>
Net Assets – ending			<u>\$1,283,539</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF NEW FAIRVIEW, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

<b>ASSETS</b>	<b>General Fund</b>
Cash	\$ 780,695
Total Assets	<u>\$ 780,695</u>
 <b>LIABILITIES</b>	
Accounts Payable	<u>14,942</u>
Total Liabilities	<u>14,942</u>
 <b>FUND BALANCES</b>	
Unreserved, general fund	<u>765,753</u>
Total Fund Balances	<u>765,753</u>
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in government activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$159,179	517,786
Debt used to acquire capital assets are not reported in the funds	<u>--</u>
Net Assets of Governmental Activities	<u>\$1,283,539</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF NEW FAIRVIEW, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

REVENUES	<b>General Fund</b>
Taxes	\$ 330,277
Licenses and permits	32,264
Fines	38,553
Investment Income	1,767
Miscellaneous	<u>6,321</u>
Total Revenues	<u>409,182</u>
 EXPENDITURES	
Current:	
General Government	398,885
Municipal court	19,999
Police	<u>37,481</u>
	<u>456,365</u>
 Debt service:	
Interest and other charges	<u>--</u>
Total Expenditures	456,365
Expenditures over Revenues	<u>(47,183)</u>
Net changes in fund balances	(47,183)
Fund Balances – beginning	<u>1,330,722</u>
Fund Balances – ending	<u>\$1,283,539</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF NEW FAIRVIEW , TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1 --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of New Fairview, Texas (the "City") was incorporated under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Type A General Law form of government and provides the following services to the citizens of the City: public works, parks and recreation and general administrative services.

The Comprehensive Annual Financial Report (the "Report") of the City includes all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

**New Accounting Standards Adopted**

In fiscal year 2005 the City adopted two new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments
- Statement No. 38-Certain Financial Statement Disclosures
- Interpretation No. 6-Recognition and Measurements of Certain Liabilities & Expenditures in Governmental Fund Financial Statements

Statement No.34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus, government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities.



In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Interpretation 6 is an interpretation of NGGA Statements 1,4, and 5; NGGA Interpretation 8; and GASB Statement Nos. 10, 16, and 18. It clarifies the existing modified accrual standards for distinguishing the portion of a liability that should be reported as a general long-term liability (i.e., government-wide reporting only).

### **Reporting Entity**

The City is governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

### **Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model as defined by GASB Statement No. 34 the focus is either the City as a whole or major individual funds (within the fund financial statements.)

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operations requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items are not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government wide level. To the extent possible, the cost of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

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 major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. 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 of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewers are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

**Governmental Funds:**

General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.

### **Non-Current Governmental Assets/Liabilities:**

GASB Statement No. 34 eliminates the presentation of account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

### **Cash, Cash Equivalents and Investments**

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds. Each fund's portion of this pool is allocated through its cash and cash equivalent account on the balance sheet. In addition, certain investments are separately held by several of the City's funds. Interest is allocated on a quarterly basis to all funds in the investment pool based on their average balance at the end of each month. Interest earned by separate investments is credited to the respective funds.

For purposes of the statement of cash flows, the City considers all unrestricted investments included in its cash management pool to be cash equivalents as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which have maturities of three months or less are reported as cash equivalents.

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the state of Texas. The City is also authorized to invest in direct obligations of the state of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreements; however, the City has not invested in such instruments during fiscal 2004.

In accordance with GASB Statement No. 31, investments are recorded at fair value.

Effective September 1, 1995, the legislature of the state of Texas amended the Public Funds Investment Act (the "Investment Act"). Effective September 1, 1997, the legislature further amended the Investment Act. The current Investment Act governs items such as investment strategies and policies, training for investment officers, reporting requirements, and types of investments allowed.

**Capital Assets**

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	20
Equipment	3-10
Automobiles	5
System infrastructure	20-40

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – DETAILED NOTES ON ALL FUNDS**

**Deposits and investments**

Deposits-State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2012.

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2012 was as follows:

	<u>Balance at Beginning Of Year</u>	<u>Transfers And Additions</u>	<u>Transfers And Retirements</u>	<u>Balance at End Of Year</u>
<b>Governmental Activities:</b>				
Capital assets, not being				
Depreciated:				
Land	\$256,193	\$ --	\$ --	\$256,193
Total capital assets, not being depreciated	<u>256,193</u>	<u>--</u>	<u>--</u>	<u>256,193</u>
Capital assets, being depreciated:				
Buildings	38,034	--	--	38,034
Equipment	102,013	--	--	102,013
Infrastructure – roads	<u>280,725</u>	<u>--</u>	<u>--</u>	<u>280,725</u>
Total capital assets being Depreciated	<u>420,772</u>	<u>--</u>	<u>--</u>	<u>420,772</u>
Less accumulated depreciation for:				
Buildings	16,052	1,649	--	17,701
Equipment	82,290	10,062	--	92,352
Infrastructure – roads	<u>35,090</u>	<u>14,036</u>	<u>--</u>	<u>49,126</u>
Total accumulated depreciation	<u>133,432</u>	<u>25,747</u>	<u>--</u>	<u>159,179</u>
Total capital assets, being depreciated, net	<u>287,340</u>	<u>(25,747)</u>	<u>--</u>	<u>261,593</u>
Governmental activities capital assets, net	<u>\$543,533</u>	<u>\$(25,747)</u>	<u>\$ --</u>	<u>\$517,786</u>

Land consisting of two undeveloped tracts totaling 13.002 acres was donated to the City for a park by developers. The land is carried at fair market value at time of donation (\$98,000). The donor retained mineral rights to the acreage.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	<u>\$25,747</u>
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#### **NOTE 4 – PENSION AND EMPLOYEE BENEFIT PLANS**

##### **Texas Municipal Retirement System**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 821 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714 or by calling 512-476-7577.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 7 percent, and the City's matching ratio is 1 to 1, both as adopted by the City Council. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior serviced contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective.

The actuarial liabilities and funding progress as of the most recent actuarial valuation date are:

December 31, 2011

Actuarial value of assets	\$ 30,055
Actuarial accrued liability	\$ 62,968
Percentage funded	47.7%
Unfunded actuarial accrued liability (UAAL)	\$ 32,913
Annual covered payroll	\$109,278
UAAL as a percentage of covered payroll	31.0%

Annual city TMRS pension cost and related information for the year ended  
December 31, 2011

December 31, 2011

Annual pension cost	\$2,967
Actual contribution	\$2,967
Net pension obligation	\$ --
Actuarial cost method	Unit credit
Amortization method	Level percent of payroll
Asset valuation method	Amortized cost
Amortization period	25 years – open
Actuarial assumptions:	
Investment rate of return	7.00%
Inflation rate	3.00%
Projected salary increases	None
COL adjustments	None



**SUPPLEMENTAL SCHEDULES**

**CITY OF NEW FAIRVIEW, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance (Over) Under</u>
Resources (Inflows):			
Taxes:			
Sales	\$400,000	\$ 298,201	\$101,799
Franchise	<u>30,000</u>	<u>32,076</u>	<u>(2,076)</u>
Total taxes	<u>430,000</u>	<u>330,277</u>	<u>99,723</u>
Charges for services:			
Fines	10,000	38,553	(28,553)
Permits	<u>37,250</u>	<u>32,264</u>	<u>4,986</u>
Total charges for services	<u>47,250</u>	<u>70,817</u>	<u>(23,567)</u>
Investment income	<u>260</u>	<u>1,768</u>	<u>(1,508)</u>
Miscellaneous	<u>3,060</u>	<u>6,320</u>	<u>(3,260)</u>
Amounts available for appropriation	<u>480,570</u>	<u>409,182</u>	<u>71,388</u>
Charges to appropriations (Outflows):			
General government:			
Salaries	105,280	99,380	5,900
Payroll Taxes	12,000	6,061	5,939
Utilities & Telephone	8,000	7,189	811
Insurance	9,000	7,903	1,097
Code Enforcement	28,000	28,220	(220)
Contract Labor	1,000	19,373	(18,373)
Auto allowance/mileage	500	--	500
Miscellaneous General Expense	1,300	448	852
City Supplies & Office Expense	4,050	6,108	(2,058)
Street Maintenance	--	5,468	(5,468)
Depreciation General	--	25,747	(25,747)
Repairs & Maintenance	500	2,397	(1,897)
Inspection Fees	19,900	22,243	(2,343)
Signs	250	1,064	(814)
Fuel/diesel	3,800	3,905	(105)
TMRS – Pension	7,520	2,967	4,553
Equipment purchase	1,400	2,216	(816)
Security/lease	2,600	2,503	97
Dues/training	2,000	2,991	(991)

Continue

**CITY OF NEW FAIRVIEW, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2012**

Continued

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance (Over) Under</u>
Cleanup Days	\$ 2,500	\$ 4,282	\$ (1,782)
Donations	--	5,800	(5,800)
Animal Control	2,500	1,740	760
Road Construction	108,270	--	108,270
Recording/Mktg.	2,000	--	2,000
Elections	4,000	--	4,000
Legal Fees	54,000	77,857	(23,857)
Legal Notices	1,300	833	467
Accounting Fees	11,700	11,675	25
City Engineer	32,000	42,937	(10,937)
Prof. Fees -planning/comp.	<u>16,000</u>	<u>9,318</u>	<u>6,682</u>
 Total General Government	 <u>441,370</u>	 <u>400,625</u>	 <u>40,745</u>
 Court:			
Court expenses	4,800	15,259	(10,459)
Judge/personnel	<u>2,400</u>	<u>3,000</u>	<u>(600)</u>
 Total Court	 <u>7,200</u>	 <u>18,259</u>	 <u>(11,059)</u>
 Police:			
Deputies	32,000	37,244	(5,244)
Supplies	<u>--</u>	<u>237</u>	<u>(237)</u>
 Total Police	 <u>32,000</u>	 <u>37,481</u>	 <u>(5,481)</u>
 Total charges to appropriations	 <u>480,570</u>	 <u>456,365</u>	 <u>24,205</u>
Ending Budget Surplus (Deficit)	<u>\$ 0</u>	<u>\$(47,183)</u>	<u>\$ (47,183)</u>