

CITY OF NEW FAIRVIEW, TEXAS

FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2014

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, 2014**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
THE CITY OF NEW FAIRVIEW, TEXAS
YEAR ENDED SEPTEMBER 30, 2014**

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION:	
List of Principal Officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	2-3
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4-7
BASIC FINANCIAL STATEMENTS	8
<u>Statement</u>	
1 <i>Government-wide Financial Statements:</i> Statement of Net Assets	9
2 Statement of Activities	10
3 <i>Fund Financial Statements:</i> Balance sheet – Government Funds	11
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Government Funds	12
Notes to Basic Financial Statements	13-21
REQUIRED SUPPLEMENTARY INFORMATION:	
Exhibit	
1 Budgetary Comparison Schedule – General Fund	22-23
Independent Auditor's Report on Internal Control	24-25

CITY OF NEW FAIRVIEW, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2014

Joe Max Wilson

Mayor

Louis Moran

Mayor Pro-Tem

City Council

Wes Williams

Scott Johnson

Mike Georgia

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, 2014, 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, 2014, 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
October 31, 2014

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

**CITY OF NEW FAIRVIEW, TEXAS
FYE SEPTEMBER 30, 2014
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, 2014. 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, 2014, net assets changed as follows:

	<u>Governmental Activities</u>
Beginning net assets	\$1,358,427
Increase (decrease) in net assets	<u>116,827</u>
Ending net assets	<u>\$1,475,254</u>

This reflects a increase of 8.6 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, 2014 and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	FYE 9/30/14 <u>Amount</u>	Percent of Total
Taxes	\$372,208	70.95%
Licenses and permits	76,963	14.67%
Fines	74,849	14.27%
Interest	74	.01%
Miscellaneous	<u>499</u>	<u>.10%</u>
Total Revenues	<u>\$524,593</u>	<u>100.0%</u>

Sales and franchise taxes decrease \$8,974, or 2.35% from the prior year. Income from permits increased \$23,568 or, 44.13%. Total revenues increased \$8,955, or, .18%.

The City's expenditures decreased \$33,443, or, 7.58%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2014, the City had \$1,469,219 invested in capital assets including equipment, buildings, roads and land (See table below.)

Government

Activities

	<u>2014</u>
Land	\$ 256,193
Buildings	41,330
Equipment	104,048
Infrastructure – roads	350,754
Construction in Progress	<u>716,894</u>
	<u>\$1,469,219</u>

The City invested \$2,035 in office equipment and continued construction on a new City Hall/Fire Department. \$434,276 was invested in the new structures during the current year.

Debt Administration

At year-end the City had borrowed \$299,518 from North Texas Bank to finance construction of the new City Hall. Such loan was paid in full October 1, 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City experienced slight revenue increases in the past year while expenses decreased. This resulted in a surplus of \$116,827.

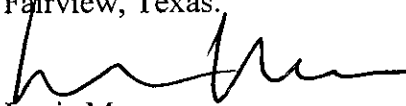
The City anticipates that sales taxes will continue to account for the major portion of revenues.


Construction of an expanded City Hall has continued. The City anticipates construction will be complete by December, 2014.

The City's financial position remains strong. 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.


Louis Moran
Mayor Pro-Tem


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, 2014**

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash	\$ 523,785
	<u>523,785</u>
Total Current Assets	
Non-current Assets:	
Capital Assets (net)	1,274,437
	<u>1,274,437</u>
Total Non-current Assets	
Total Assets	<u>\$1,798,222</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 23,449
Notes Payable – North Texas Bank	<u>299,518</u>
Total Current Liabilities	<u>322,967</u>
Total Liabilities	<u>322,967</u>
 NET ASSETS	
Invested in capital assets, net of related debt	974,919
Unrestricted	<u>500,336</u>
Total Net Assets	<u>\$1,798,222</u>

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

**CITY OF NEW FAIRVIEW, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:			
General government	<u>\$407,226</u>	<u>\$151,911</u>	<u>\$(255,815)</u>
Total Governmental Activities	<u>\$407,726</u>	<u>\$151,911</u>	<u>\$(255,815)</u>
Changes in Net Assets:			
			<u>Government Activities</u>
Net (expense) revenue			\$ (255,855)
General Revenues:			
Taxes			
Sales and use taxes			344,892
Franchise and public service taxes			27,316
Investment Income			74
Miscellaneous			<u>400</u>
Total General Revenues			<u>372,682</u>
Change in net assets			116,827
Net Assets – beginning			<u>1,358,427</u>
Net Assets – ending			<u>\$1,475,254</u>

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

**CITY OF NEW FAIRVIEW, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

ASSETS	<u>General Fund</u>
Cash	\$ 523,785
	<hr/>
Total Assets	<u>\$ 523,785</u>
 LIABILITIES	
Accounts Payable	<u>23,449</u>
Total Liabilities	<u>23,449</u>
 FUND BALANCES	
Unreserved, general fund	<u>500,336</u>
Total Fund Balances	<u>500,336</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 \$194,783	1,274,437
Debt used to acquire capital assets are not reported in the funds	<u>(299,518)</u>
Net Assets of Governmental Activities	<u>\$ 974,919</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, 2014**

REVENUES	General Fund
	<u> </u>
Taxes	\$ 372,208
Licenses and permits	76,963
Fines	74,849
Investment Income	74
Miscellaneous	<u>499</u>
Total Revenues	<u>524,593</u>
 EXPENDITURES	
Current:	
General Government	322,788
Municipal court	30,503
Police	<u>45,458</u>
	<u>398,749</u>
 Debt service:	
Interest and other charges	<u>9,017</u>
Total Expenditures	407,766
Revenues over Expenditures	<u>116,827</u>
Net changes in fund balances	116,827
Fund Balances – beginning	<u>1,358,427</u>
Fund Balances – ending	<u>\$1,475,254</u>

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

CITY OF NEW FAIRVIEW , TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 2014.

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, 2014.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014 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>
Governmental Activities:				
Capital assets, not being				
Depreciated:				
Land	\$256,193	\$ -	\$ -	\$256,193
Construction in Progress	<u>282,618</u>	<u>434,276</u>	<u>-</u>	<u>716,894</u>
Total capital assets, not being depreciated	<u>538,811</u>	<u>434,276</u>	<u>--</u>	<u>973,087</u>
Capital assets, being depreciated:				
Buildings	41,330	2,035	--	41,330
Equipment	102,013	--	--	104,048
Infrastructure – roads	<u>350,754</u>	<u>--</u>	<u>--</u>	<u>350,754</u>
Total capital assets being Depreciated	<u>494,097</u>	<u>2,035</u>	<u>--</u>	<u>496,132</u>
Less accumulated depreciation for:				
Buildings	19,515	1,809	--	21,324
Equipment	92,352	407	--	92,759
Infrastructure – roads	<u>64,913</u>	<u>15,787</u>	<u>--</u>	<u>80,700</u>
Total accumulated depreciation	<u>176,780</u>	<u>18,003</u>	<u>--</u>	<u>194,783</u>
Total capital assets, being depreciated, net	<u>317,317</u>	<u>(15,968)</u>	<u>--</u>	<u>301,349</u>
Governmental activities capital assets, net	<u>\$856,128</u>	<u>\$418,308</u>	<u>\$ --</u>	<u>\$1,274,436</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>\$18,003</u>
--------------------	-----------------

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, 2013

Actuarial value of assets	\$ 46,695
Actuarial accrued liability	\$ 93,259
Percentage funded	50.1%
Unfunded actuarial accrued liability (UAAL)	\$ 46,564
Annual covered payroll	\$ 89,311
UAAL as a percentage of covered payroll	52.14%

Annual city TMRS pension cost and related information for the year ended December 31, 2013.

December 31, 2013

Annual pension cost	\$3,788
Actual contribution	\$3,788
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

NOTE 5 – NOTE PAYABLE

The City has opened a construction line of credit with North Texas Bank. The amount of the line is \$300,000. Loan proceeds are used for construction of a new City Hall/Fire Station. The loan bears interest at 3.244% and is secured by city funds deposited in a money market account at North Texas Bank. At year-end, the City had drawn \$299,518 of the line. The loan was due 7/1/2014 and was paid in full.

SUPPLEMENTAL SCHEDULES

**CITY OF NEW FAIRVIEW, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance (Over) Under</u>
Resources (Inflows):			
Taxes:			
Sales	\$352,685	\$ 344,892	\$ 7,793
Franchise	<u>28,500</u>	<u>27,316</u>	<u>1,184</u>
Total taxes	<u>381,185</u>	<u>372,208</u>	<u>8,977</u>
Charges for services:			
Fines	85,482	74,849	10,633
Permits	<u>53,395</u>	<u>76,963</u>	<u>(23,568)</u>
Total charges for services	<u>138,877</u>	<u>151,812</u>	<u>(12,935)</u>
Investment income	<u>1,012</u>	<u>74</u>	<u>938</u>
Miscellaneous	<u>2,565</u>	<u>499</u>	<u>2,066</u>
Amounts available for appropriation	<u>523,639</u>	<u>524,593</u>	<u>(954)</u>
Charges to appropriations (Outflows):			
General government:			
Salaries	91,034	93,361	(2,327)
Payroll Taxes	9,804	7,778	2,026
Utilities & Telephone	8,426	9,024	(598)
Insurance	7,930	15,859	(7,929)
Code Enforcement	27,250	29,400	(2,150)
Contract Labor	4,470	22,934	(18,464)
Miscellaneous General Expense	2,480	150	2,330
City Supplies & Office Expense	6,857	5,829	1,028
Street Maintenance	--	3,215	(3,215)
Depreciation General	--	18,003	(18,003)
Repairs & Maintenance	5,308	11,885	(6,577)
Inspection Fees	26,808	25,778	1,030
Signs	45	--	45
TMRS - Pension	6,533	3,788	2,745
Equipment repairs	2,279	3,556	(1,077)
Security/lease	2,278	2,716	(438)
Dues/training	1,797	2,243	(446)
Interest expense	-	9,017	(9,017)

Continue

**CITY OF NEW FAIRVIEW, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014**

Continued

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance (Over) Under</u>
Animal Control	\$ 1,635	\$ 1,255	\$ 380
Legal Fees	73,209	45,756	27,453
Legal Notices	1,525	1,168	357
Accounting Fees	11,600	950	10,650
City Engineer	23,385	2,450	20,935
Prof. Fees -planning/comp.	<u>15,066</u>	<u>17,145</u>	<u>(2,079)</u>
Total General Government	<u>329,719</u>	<u>331,805</u>	<u>(2,086)</u>
Court:			
Court expenses	26,061	27,128	(1,067)
Judge/personnel	<u>2,550</u>	<u>3,395</u>	<u>(825)</u>
Total Court	<u>28,611</u>	<u>30,503</u>	<u>(1,892)</u>
Police:			
Deputies	45,770	45,338	432
Supplies	<u>--</u>	<u>120</u>	<u>(120)</u>
Total Police	<u>45,770</u>	<u>45,458</u>	<u>312</u>
Total charges to appropriations	<u>404,100</u>	<u>407,766</u>	<u>(3,666)</u>
Ending Budget Surplus (Deficit)	<u>\$119,539</u>	<u>\$116,827</u>	<u>\$ 2,712</u>

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

Telephone: 682-518-7403

To the City Council
New Fairview, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of New Fairview, Texas as of and for the year ended September 30, 2014, which collectively comprise the City of New Fairview, Texas basic financial statements and have issued our report thereon dated October 31, 2014. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of New Fairview, Texas internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Fairview, Texas internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of New Fairview, Texas ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of New Fairview, Texas financial statements that is more than inconsequential will not be prevented or detected by the City of New Fairview, Texas internal control.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of New Fairview, Texas internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Peter J. Chaney, P.C.
Certified Public Accountant
Mansfield, Texas

October 31, 2014