

CITY OF NEW FAIRVIEW, TX

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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WILLIAM C SPORE, P.C.
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, 2020, 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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

December 14, 2020

CITY OF NEW FAIRVIEW, TX

CITY OFFICIALS

September 30, 2020

MAYOR	Joe Max Wilson
MAYOR PRO TEM	Scott Johnson
COUNCIL MEMBERS	Rebecca McPherson
	William Payne
	Charlie Stumm
	Rick White
CITY ADMINISTRATOR	Ben Nibarger
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, 2020.

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, 2020 by \$1,686,749, an increase of \$522,364 from the prior year.
- On September 30, 2020, the City's governmental funds reported fund balances of \$510,463 an increase of \$500,042 from the prior year.
- The City's capital assets, reported at cost less accumulated depreciation, total \$1,168,104 on September 30, 2020 while the City did not have any outstanding long-term debt at September 30, 2020.

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	
	2020	2019
Current and Other Assets	\$ 621,237	\$ 94,975
Capital Assets	<u>1,168,104</u>	<u>1,212,026</u>
Total Assets	<u>1,789,341</u>	<u>1,307,001</u>
Deferred Outflows of Resources	<u>17,488</u>	<u>18,670</u>
Long-Term Liabilities	0	4,320
Net Pension & OPEB Liabilities	66,375	72,408
Other Liabilities	<u>50,000</u>	<u>84,554</u>
Total Liabilities	<u>116,375</u>	<u>161,282</u>
Deferred Inflows of Resources	<u>3,705</u>	<u>4</u>
Net Position:		
Invested in Capital Assets, net of debt	1,168,104	1,207,706
Unrestricted	<u>518,645</u>	<u>(43,321)</u>
Total Net Position	<u>\$ 1,686,749</u>	<u>\$ 1,164,385</u>

The City's net position increased \$522,364 from September 30, 2019 to September 30, 2020. The largest portion (69%) 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 2020 the City did not add any capital assets and it retired its outstanding long-term debt. The City's actuarially calculated net pension liability decreased \$6,825 from September 2019 to September 2020 to a balance of \$60,080.

Analysis of City's Operations

A summary of the City's operations for the years ended September 30, 2020 & 2019 are as follows:

	CHANGES IN NET POSITION	
	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	\$ 574,561	\$ 190,132
General Revenues:		
Property Taxes	523,490	0
Sales Taxes	162,612	156,982
Franchise Fees	51,854	44,244
Interest Income	1	50
Total Revenues	\$ <u>1,312,518</u>	\$ <u>391,408</u>
PROGRAM EXPENSES		
General Government	\$ 602,576	\$ 356,590
Public Safety	32,491	29,605
Public Works	154,948	44,706
Interest on Long-Term Debts	139	1,543
Total Expenses	<u>790,154</u>	<u>432,444</u>
Increase (Decrease) in Net Position	\$ <u>522,364</u>	\$ <u>(41,036)</u>

The City began assessing a property tax in fiscal year. The initial tax rate was .30 per \$100 of valuation and the City collected \$523,490 in property taxes during the fiscal year. Charges for services revenues includes development revenues and municipal court fines. Development revenues increased \$383,794 (226%) due to the development of new subdivisions in the City.

The City's sales tax revenues continued the upward trend started in 2019 and increased \$5,630 (3.6%) from the previous fiscal year.

Total program expenses increased \$357,710 (83%) in 2020 from 2019 primarily due to an increase in personnel costs and increased professional fees related to the new residential developments in the City. In 2020 the City Council passed an ordinance establishing the office of the City Administrator.

Public works expenditures increased \$110,242 (247%) primarily due an increase in contract labor during the fiscal year.

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:

	2020	2019	% CHANGE
REVENUES			
Property Taxes	\$ 507,569	\$ 0	--
Sales Taxes	162,612	\$ 156,982	3.59%
Franchise Fees	51,854	44,244	17.20%
Permits & Fees	498,752	168,828	195.42%
Municipal Court	20,956	20,321	3.12%
Miscellaneous Revenues	0	983	-100.00%
Interest Income	1	50	-98.00%
TOTAL REVENUES	\$ 1,241,744	\$ 391,408	217.25%
EXPENDITURES			
General Government	\$ 573,188	\$ 335,121	71.04%
Public Safety	32,491	29,605	9.75%
Public Works	131,564	21,322	517.03%
Debt Service	4,459	16,729	-73.35%
Capital Outlay	0	0	0.00%
TOTAL EXPENDITURES	\$ 741,702	\$ 402,777	84.15%
CHANGE IN FUND BALANCE	\$ 500,042	\$ (11,369)	

Fund basis revenues increased \$850,336 due the City assessing a property tax for the first time and a significant increase in development revenues due to new subdivisions in the City.

Governmental fund operating expenditures increased \$338,925 due to increased expenditures for personnel costs (creation of the City Administrator position) and professional fees related to developments in the City.

Debt service expenditures represent the principal and interest payments made on the parking lot loan which was paid off in fiscal year 2020.

General Fund Budgetary Highlights

Actual general fund revenues were \$40,284 greater than budgeted revenues as property tax, sales tax, franchise fees and municipal court revenues all were over budget.

Total actual 2020 general fund expenditures were \$176,463 less than budgeted general fund expenditures. General government expenditures were \$159,802 (22%) under budget, municipal court was \$3,675 (61%) under budget, police services were \$7,491 (30%) over budget and public works expenditures were \$9,936 (7%) under budget.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2020 amounts to \$1,168,104 (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:

	2020	2019
Land	\$ 256,193	\$ 256,193
Buildings & Improvements	780,134	800,222
Equipment	2,025	2,475
Infrastructure-Streets	<u>129,752</u>	<u>153,136</u>
TOTAL	\$ <u><u>1,168,104</u></u>	\$ <u><u>1,212,026</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 2020 and retired its existing long-term debt during the fiscal year.

Outstanding long-term debts are as follows:

	2020	2019
Notes Payable	<u>0</u>	<u>4,320</u>
TOTAL	\$ <u><u>0</u></u>	\$ <u><u>4,320</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 2021 general fund budget is a surplus budget as budgeted revenues exceed budgeted expenditures by \$142,257. This surplus is intended to be added to the City's reserve funds.

General fund budgeted revenues for fiscal year 2021 are \$1,079,708. These revenues include property tax, sales tax, franchise fees and municipal court revenues; which were budgeted at levels comparative to 2020 actual revenues; and permit and development revenues which were budgeted at \$400,000 (compared to 2020 actual revenues of \$498,752).

Budgeted 2020 general fund expenditures are \$937,451. Proposed budgeted expenditures include \$150,000 for debt service as the City is considering issuing debt to provide funds to make road improvements.

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
GOVERNMENT-WIDE
STATEMENT OF NET POSITION

September 30, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS	
Cash	\$ 486,050
Receivables	135,187
TOTAL CURRENT ASSETS	<u>621,237</u>
CAPITAL ASSETS	
Land	256,193
Buildings & Improvements	916,542
Equipment	108,548
Infrastructure-Roads	350,754
Accumulated Depreciation	(463,933)
NET CAPITAL ASSETS	<u>1,168,104</u>
TOTAL ASSETS	<u>\$ 1,789,341</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension & OPEB Contributions After Measurement Date	\$ 8,130
Difference in Expected and Actual Pension Experience	7,117
Difference in Expected and Actual OPEB Experience	38
Pension Assumption Changes	1,675
OPEB Assumption Changes	528
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,488</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 29,534
Accrued Liabilities	10,466
Accrued Compensated Absences	10,000
Net Pension Liability	60,080
OPEB Liability	6,295
TOTAL CURRENT LIABILITIES	<u>116,375</u>
TOTAL LIABILITIES	<u>\$ 116,375</u>
DEFERRED OUTFLOWS OF RESOURCES	
Difference in Projected and Actual Earnings-Pension	\$ <u>3,705</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	1,168,104
Unrestricted	518,645
TOTAL NET POSITION	<u>\$ 1,686,749</u>

CITY OF NEW FAIRVIEW, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & DONATIONS</u>	<u>CAPITAL GRANTS & REIMBURSEMENTS</u>	<u>NET (EXPENSE) REVENUE</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (602,576)	\$ 553,605	\$ 0	\$ 0	\$ (48,971)
Public Safety	(32,491)	20,956	0	0	(11,535)
Public Works	(154,948)	0	0	0	(154,948)
Interest on Long-Term Debt	(139)	0	0	0	(139)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (790,154)	\$ 574,561	\$ 0	\$ 0	(215,593)
GENERAL REVENUE					
Property Taxes					523,490
Sales Taxes					162,612
Franchise Fees					51,854
Interest Income					1
TOTAL GENERAL REVENUE					737,957
CHANGE IN NET POSITION					522,364
NET POSITION - BEGINNING					<u>1,164,385</u>
NET POSITION - ENDING					<u>\$ 1,686,749</u>

CITY OF NEW FAIRVIEW, TX

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2020

ASSETS	
Cash	\$ 486,050
Receivables:	
Sales Taxes	29,570
Franchise Fees	2,366
Developer Reimbursements	21,250
Property Taxes	24,162
Other	2,986
TOTAL ASSETS	<u>566,384</u>
LIABILITIES	
Accounts Payable	29,534
Accrued Payroll Expenses	10,466
TOTAL LIABILITIES	<u>40,000</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue-Property Taxes	<u>15,921</u>
FUND BALANCE	
Unassigned	<u>510,463</u>
TOTAL FUND BALANCE	<u>510,463</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES	<u>\$ 566,384</u>

CITY OF NEW FAIRVIEW, TX

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2020

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

September 30, 2020

Fund Balance Above \$ 510,463

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 1,168,104

Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet. 15,921

Development receivables are not available to pay for current period expenditures and, therefore, are not recorded in the Fund Balance Sheet. 54,853

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.

Accrued Compensated Absences (10,000)

Net Pension Liability and related deferred inflows and deferred outflows of Resources (46,940)

OPEB Liability and related deferred inflows and deferred outflows of Resources (5,652)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,686,749

CITY OF NEW FAIRVIEW, TX

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2020

	GENERAL FUND
REVENUES	
Property Taxes	\$ 507,569
Sales Taxes	162,612
Franchise Fees	51,854
Municipal Court	20,956
Permits & Fees	498,752
Interest Income	1
TOTAL REVENUES	<u>1,241,744</u>
EXPENDITURES	
General Government	573,188
Public Safety	32,491
Public Works	131,564
Debt Service - Principal	4,320
Debt Service - Interest	139
Capital Outlay	0
TOTAL EXPENDITURES	<u>741,702</u>
NET CHANGE IN FUND BALANCES	500,042
FUND BALANCE - BEGINNING	10,421
FUND BALANCE - ENDING	<u>\$ 510,463</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, 2020

Net Change in Fund Balance - Governmental Funds \$ 500,042

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	(43,922)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds:

Deferred Revenues - Property Taxes	15,921
Developer Receivables	54,853

Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	4,320
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Some expenses in the statement of activities do not require the use of
current financial resources and therefore are not recorded as expenditures
in the governmental funds:

Accrued Compensated Absences	(10,000)
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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.	1,150
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>522,364</u></u>
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CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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, 2020

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, 2020

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 principal 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, 92, Omnibus 2020.* This statement is effective for fiscal years beginning after June 15, 2020. This statement will not affect the City.
- *Statement no. 93, Replacement of Interbank Offered Rates.* This statement is effective for fiscal years beginning after December 31, 2021. This statement will not affect the City.
- *Statement no. 94, Public Private and Public Public Private Partnerships and Available Payment Arrangements.* This statement is effective for fiscal years beginning after June 15, 2022. This statement will not affect the City.
- *Statement no. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement is effective immediately. This statement will not affect the City
- *Statement no. 96, Subscription-based Information Technology Arrangements.* This statement is effective June 15, 2022. 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 2021, as required.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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 accrues accumulated unpaid vacation and exempt time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations.

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 plan 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, 2020

The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences between projected and actual plan earnings will be amortized to pension expense over a total of five years, including the current fiscal year. The deferred outflows related to differences in expected and actual pension experience will be amortized to expense over 1.36 to 7.36 years, including the current year and the deferred outflows related to assumption changes will be amortized to expense over 1.36 to 7.36 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, 2020

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, 2020

For the fiscal year ending September 30, 2020 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Police	\$ 7,491

NOTE 2: DEPOSITS:

At September 30, 2020, the carrying amount of the City’s cash accounts were \$486,050, all of which was held in a checking accounts at a local financial institution. The City did not own any investments at September 30, 2020.

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, 2020, the City's bank balances (per bank) totaled \$489,427. Of the bank balances, \$250,000 was covered by federal depository insurance and \$239,427 was secured by collateral held by the pledging bank's agent in the name of the City. The City was not exposed to any custodial credit risk at September 30, 2020.

Securities pledged by the City's depository institution at September 30, 2020 are as follows:

SECURITY	PAR	FMV
Cleveland Texas municipal bond	\$230,000	\$243,340
Williamson Co. MUD#1 bond	\$245,000	\$256,919

(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.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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.

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2020 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	116,317	20,088	0	136,405
Equipment	106,074	450	0	106,524
Infrastructure	197,620	23,384	0	221,004
Total Accumulated Depreciation	<u>420,011</u>	<u>43,922</u>	<u>0</u>	<u>463,933</u>
Net Capital Assets Being Depreciated	<u>955,833</u>	<u>(43,922)</u>	<u>0</u>	<u>911,911</u>
Net Capital Assets	<u>\$ 1,212,026</u>	<u>\$ (43,922)</u>	<u>\$ 0</u>	<u>\$ 1,168,104</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 20,538
Public Works	23,384
TOTAL DEPRECIATION EXPENSE	<u>\$ 43,922</u>

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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 loan was paid off in November 2019.

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

GOVERNMENTAL ACTIVITIES:	BEGINNING	ADDITIONS	PAYMENTS	ENDING
Notes Payable	\$ <u>4,320</u>	\$ <u>0</u>	\$ <u>(4,320)</u>	\$ <u>0</u>

NOTE 6: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 888 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, 2020

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 2018	Plan Year 2019
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, 2019 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 10.53% and 9.76% for the calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$9,976 and were equal to the required contributions.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB (10) mortality tables with the Public Safety table used for males and the general Employee table used for females. Mortality tables for healthy retirees, and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order 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 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).

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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, 2020

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2018	\$ 166,220	\$ 99,315	\$ 66,905
Service Cost	7,249		7,249
Interest	11,415		11,415
Differences between expected and actual results	3,291		3,291
Change in Assumptions	1,510		1,510
Contributions - employer		8,661	(8,661)
Contributions - employee		6,303	(6,303)
Net investment income		15,415	(15,415)
Benefit Payments, including refunds of employee contributions	(1,478)	(1,478)	0
Administrative expense		(87)	87
Other		(2)	2
Net Changes	<u>21,987</u>	<u>28,812</u>	<u>(6,825)</u>
Balance at December 31, 2019	\$ <u>188,207</u>	\$ <u>128,127</u>	\$ <u>60,080</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 6.75%, 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%)
Town's Net Pension Liability	\$ <u>100,987</u>	\$ <u>60,080</u>	\$ <u>27,415</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, 2020

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

For the year ended September 30, 2020 the City recognized pension expense of \$8,473.

At September 30, 2020, 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	\$ 7,117	\$	0	\$	7,117
Differences between projected and actual investment earnings	0		3,705		(3,705)
Assumption Changes	1,675		0		1,675
To be recognized in the future	8,792		3,705	\$	5,087
 Contributions subsequent to the measurement date	 8,415		 0		
 Total	 \$ 17,207	 \$	 3,705		

The \$8,415 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, 2021. 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,					
2020		\$	1,016		
2021			515		
2022			1,546		
2023			(264)		
2024			1,178		
Thereafter			1,096		
		\$	5,087		

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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, 2019 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, 2019, 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, 2020

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
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	2019 Municipal Retirees of Texas Morality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3,5% and 3% minimum mortality rate will be applied to reflect the impairment for young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

Changes in Total OPEB Liability:

Balance at December 31, 2018	\$	5,503
Changes for the year		
Service Cost		54
Interest on Total OPEB Liability		203
Changes in Benefit Terms		0
Differences between expected and actual results		4
Changes in assumptions or other inputs		621
Benefit Payments *		<u>(90)</u>
Net Changes		<u>792</u>
Balance at December 31, 2019	\$	<u><u>6,295</u></u>

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 2.75%, 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 (1.75%)	Current (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ <u>7,109</u>	\$ <u>6,295</u>	\$ <u>5,599</u>

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

For the year ended September 30, 2020 the City recognized OPEB expense of \$353. At September 30, 2020, 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	\$ 38	\$ 0	\$ 38
Differences in assumptions	<u>528</u>	<u>0</u>	<u>528</u>
To be recognized in the future	566	0	<u>566</u>
Contributions subsequent to the measurement date	<u>77</u>	<u>0</u>	
Total	<u><u>\$ 643</u></u>	<u><u>\$ 0</u></u>	

CITY OF NEW FAIRVIEW

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

The \$77 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, 2021. 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,		
2020	\$	96
2021		96
2022		96
2023		95
2024		80
Thereafter		103
	\$	<u>566</u>

NOTE 8: 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 9: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2020 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, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)				
Property Taxes	\$ 436,867	\$ 498,472	\$ 507,569	\$ 9,097
Sales Taxes	130,000	150,000	162,612	12,612
Franchise Fees	46,234	49,488	51,854	2,366
Municipal Court Revenues	12,000	17,500	20,956	3,456
Permits & Fees	400,000	486,000	433,559	(52,441)
Developer Reimbursements	0	0	65,193	65,193
Interest Income	0	0	1	1
TOTAL RESOURCES (INFLOWS)	1,025,101	1,201,460	1,241,744	40,284
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Personnel:				
Wages	199,090	113,440	112,074	1,366
Payroll Taxes	28,849	9,093	8,933	160
Health Insurance	6,000	9,352	4,123	5,229
Retirement	20,904	12,153	9,976	2,177
Employee Vehicle Expense	1,500	2,200	647	1,553
Consultants:				
Audit Services	12,000	12,000	15,000	(3,000)
Engineer Services	20,000	47,000	35,938	11,062
Legal Services	75,000	187,000	93,333	93,667
Other Professional Services	44,755	93,837	58,377	35,460
Planning Services	20,000	67,000	62,038	4,962
Animal Control	2,000	2,000	1,745	255
Code Enforcement	10,000	40,000	39,764	236
Dues, Memberships & Training	7,400	7,800	4,858	2,942
Election	6,000	3,000	0	3,000
Fire Department Donation	0	0	1,000	(1,000)
Inspections	56,500	37,500	34,743	2,757
Insurance	5,579	8,100	7,120	980
Miscellaneous Expenses	3,500	5,000	3,817	1,183
Office Supplies	21,881	16,190	16,202	(12)
Property Tax Assessor/Collector	0	0	7,693	(7,693)
Public Notices	1,800	1,800	214	1,586
Repair & Maintenance-Bldg. & Equip.	27,000	17,000	17,847	(847)
Software	2,100	23,000	20,329	2,671
Street Lights	4,000	4,000	2,338	1,662
Telephone & Internet	6,000	6,000	5,558	442
Utilities	5,600	6,200	7,196	(996)
Total General Government	587,458	730,665	570,863	159,802

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

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
Municipal Court:				
Dues, Memberships & Training	1,400	700	200	500
Judge	2,400	1,800	600	1,200
Software	1,500	3,500	1,525	1,975
Total Municipal Court	5,300	6,000	2,325	3,675
Police:				
Contract Labor	30,000	25,000	32,491	(7,491)
TOTAL Police	30,000	25,000	32,491	(7,491)
Public Works				
Contract Labor	30,000	85,000	87,780	(2,780)
Equipment Rental	500	8,000	7,905	95
Equipment Repair and Supplies	2,500	5,500	5,318	182
Minor Equipment	0	15,000	3,000	12,000
Signs	3,000	1,500	1,380	120
Fuel	1,500	5,500	5,779	(279)
Street Repairs	100,000	21,000	20,402	598
TOTAL Public Works	137,500	141,500	131,564	9,936
Debt Service:				
Interest Paid	0	0	139	(139)
Principal Paid	25,000	5,000	4,320	680
Total Debt Service	25,000	5,000	4,459	541
Capital Outlay:				
Building Improvements	0	10,000	0	10,000
TOTAL CAPITAL OUTLAY	0	10,000	0	10,000
TOTAL APPROPRIATIONS (OUTFLOWS)	785,258	918,165	741,702	176,463
EXCESS OF RESOURCES OVER UNDER APPROPRIATIONS	239,843	283,295	500,042	\$ <u><u>216,747</u></u>
BEGINNING BUDGETARY FUND BALANCE	10,421	10,421	10,421	
ENDING BUDGETARY FUND BALANCE	\$ <u><u>250,264</u></u>	\$ <u><u>293,716</u></u>	\$ <u><u>510,463</u></u>	\$

CITY OF NEW FAIRVIEW, TX

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 7,249	6,524	5,833	5,743	5,372	7,487
Interest (on the Total Pension Liability)	11,415	10,186	9,130	8,150	7,181	6,568
Changes in benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	3,291	2,608	1,814	2,051	1,955	249
Change of assumptions	1,510	0	0	0	5,525	0
Benefit payments, including refunds of employee contributions	(1,478)	(1,478)	(1,478)	(1,478)	(2,633)	(6,348)
NET CHANGE IN TOTAL PENSION LIABILITY	21,987	17,840	15,299	14,466	17,400	7,956
TOTAL PENSION LIABILITY - BEGINNING	166,220	148,380	133,081	118,615	101,215	93,259
TOTAL PENSION LIABILITY - ENDING (a)	\$ 188,207	166,220	148,380	133,081	118,615	101,215
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 8,661	6,998	5,383	3,324	3,548	3,750
Contributions - Employee	6,303	5,673	5,072	4,994	4,922	6,265
Net investment income	15,415	(2,731)	9,997	4,135	81	2,793
Benefit payments, including refunds of employee contributions	(1,478)	(1,478)	(1,478)	(1,478)	(2,633)	(6,348)
Administrative expense	(87)	(53)	(52)	(47)	(50)	(29)
Other	(2)	(3)	(3)	(3)	(2)	(2)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	28,812	8,406	18,919	10,925	5,866	6,429
PLAN NET FIDUCIARY POSITION - BEGINNING	99,315	90,909	71,990	61,065	55,199	48,770
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 128,127	99,315	90,909	71,990	61,065	55,199
NET PENSION LIABILITY (a) - (b)	\$ 60,080	66,905	57,471	61,091	57,550	46,016
Plan Fiduciary Net Position as a percentage of Total Pension Liability	68.08%	59.75%	61.27%	54.09%	51.48%	54.54%
Covered employee payroll	\$ 90,047	81,040	72,455	71,336	70,312	89,497
Net Pension Liability as a percentage of covered payroll	66.72%	82.56%	79.32%	85.64%	81.85%	51.42%

CITY OF NEW FAIRVIEW, TX

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 9,976	8,635	6,660	4,933	3,477	3,719
Contributions in relation to the actuarially determined contribution	9,976	8,635	6,660	4,933	3,477	3,719
Contribution deficiency (excess)	0	0	0	0	0	0
Covered employee payroll	90,047	91,219	79,404	71,944	70,429	71,035
Contributions as a percentage of covered employee payroll	11.08%	9.47%	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	20 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5%, 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the Generational Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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, 2019

Plan Year	2019	2018	2017
TOTAL OPEB LIABILITY			
Total OPEB Liability Beginning of Year	\$ 5,503	5,560	5,085
Changes for the year			
Service Cost	54	57	43
Interest on Total OPEB Liability	203	184	192
Changes in benefit terms	0	0	0
Difference between expected and actual experience	4	47	0
Change of assumptions or other inputs	621	(264)	305
Benefit payments	(90)	(81)	(65)
NET CHANGE IN OPEB LIABILITY	<u>792</u>	<u>(57)</u>	<u>475</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 6,295</u>	<u>5,503</u>	<u>5,560</u>
Covered employee payroll	\$ 90,047	81,040	72,455
OPEB Liability as a percentage of covered payroll	6.99%	6.79%	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, 2020, 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

December 14, 2020