

**CITY OF NEW FAIRVIEW, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**



**CITY OF NEW FAIRVIEW, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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## **Independent Auditor's Report on Financial Statements**

City Council  
City of New Fairview, Texas

Members of the City council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Fairview, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of New Fairview, Texas' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Fairview, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4 through 10 and 35 through 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2023, on our consideration of the City of New Fairview, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Fairview, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

*MWH Group, P.C.*

MWH GROUP, P.C.

Wichita Falls, Texas  
April 3, 2023

CITY OF NEW FAIRVIEW, TEXAS

CITY OFFICIALS

September 30, 2021

MAYOR	Nolan Schoonmaker
MAYOR PRO TEM	John Taylor
COUNCIL MEMBERS	Julie Burger
	Scott Johnson
	Steve Misner
	Cindy Poe
CITY ADMINISTRATOR	Benjamin Nibarger
SECRETARY	Monica Rodriguez
MUNICIPAL COURT JUDGE	Thomas Hobbs



## **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, 2021.

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, 2021 by \$2,393,421, an increase of \$706,672 from the prior year.
- On September 30, 2021, the City’s governmental funds reported fund balances of \$3,004,009 an increase of \$2,493,546 from the prior year.
- The City’s capital assets, reported at cost less accumulated depreciation, total \$2,067,311 on September 30, 2021. The City had outstanding long-term debt of \$2,815,000 at September 30, 2021.

### **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 11) 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 12) 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.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **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 13) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 15) 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 17.

### 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:

**Table A-1**  
**City's Net Position**

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,879,879	\$ 621,237
Capital assets, net	<u>2,067,311</u>	<u>1,168,104</u>
Total Assets	<u>5,947,190</u>	<u>1,789,341</u>
 Deferred Outflows of Resources	<u>23,558</u>	<u>17,488</u>
 Current liabilities	786,122	50,000
Long-term liabilities	2,730,000	-
Net Pension & OPEB Liabilities	<u>57,603</u>	<u>66,375</u>
Total Liabilities	<u>3,573,725</u>	<u>116,375</u>
 Deferred Inflows of Resources	<u>3,602</u>	<u>3,705</u>
 Net position:		
Net investment in capital assets	1,346,498	1,168,104
Unrestricted	<u>1,046,923</u>	<u>518,645</u>
Total Net Position	<u>\$ 2,393,421</u>	<u>\$ 1,686,749</u>

The City's net position increased \$706,672 from September 30, 2020 to September 30, 2021. The largest portion (56%) 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 2021 the City had capital asset additions of \$951,560 and an increase in long term liabilities of \$2,730,000.

The City's actuarially calculated net pension liability decreased \$8,892 from September 2020 to September 2021 to a balance of \$51,188.

### **Analysis of City's Operations**

A summary of the City's operations for the years ended September 30, 2021 and 2020 are as follows:

**Table A-2  
Changes in Net Position**

	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues		
Charges for services	\$ 728,689	\$ 574,561
Operating grants & contributions	53,944	-
Capital grants & contributions	23,200	-
General revenues		
Property taxes	473,768	523,490
Sales taxes	206,057	162,612
Franchise fees	53,124	51,854
Miscellaneous	15,447	-
Interest income	225	1
Total Revenues	<u>\$ 1,554,454</u>	<u>\$ 1,312,518</u>
Program expenses:		
General Government	\$ 610,998	\$ 602,576
Public Safety	20,778	32,491
Public Works	183,959	154,948
Interest on Long-Term Debts	<u>32,047</u>	<u>139</u>
Total Expenses	<u>847,782</u>	<u>790,154</u>
Increase in Net Position	<u>\$ 706,672</u>	<u>\$ 522,364</u>

The City began assessing a property tax in fiscal year 2020. The initial tax rate was .30 per \$100 of valuation and the City collected \$473,768 in property taxes during the fiscal year. Charges for services revenues includes development revenues and municipal court fines. Development revenues increased \$122,264 (20%) due to the development of new subdivisions in the City.

The City's sales tax revenues continued the upward trend that started in 2020 and

increased \$43,455 (27%) from the previous fiscal year.

Total program expenses increased \$57,628 (7%) in 2021 from 2020 primarily due to an increase in street and building maintenance for public works.

Interest expenditures increased \$31,908 in 2021 due to the issuance of long-term debt. The City did not have long-term debt in 2020.

## 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:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Revenues:			
Property taxes	\$ 475,926	\$ 507,569	-6%
Sales taxes	206,057	162,612	27%
Franchise fees	53,124	51,854	2%
Municipal Court	13,983	20,956	-33%
Permits & fees	538,664	498,752	8%
Intergovernmental revenues	53,944	-	100%
Miscellaneous revenues	15,447	-	100%
Interest Income	225	1	22400%
Total revenues	<u>\$ 1,357,370</u>	<u>\$ 1,241,744</u>	<u>9.31%</u>
Expenditures:			
General Government	\$ 596,611	\$ 573,188	4%
Public Safety	20,778	32,491	-36%
Public Works	157,285	131,564	20%
Debt Service	143,384	4,459	3116%
Capital Outlay	951,560	-	100%
Total Expenditures	<u>\$ 1,869,618</u>	<u>\$ 741,702</u>	<u>152%</u>
Other financing sources			
Proceeds from bond issuance	2,930,000	-	100%
Proceeds from premium on bond	75,794	-	100%
Total other financing sources	<u>3,005,794</u>	<u>-</u>	<u>100%</u>
Change in fund balance	<u>\$ 2,493,546</u>	<u>\$ 500,042</u>	

Fund basis revenues increased \$115,626 due to increased sales tax collections and grant revenue from the Coronavirus Relief Local Fiscal Recovery Fund.

Governmental fund operating expenditures increased \$1,127,916 due to increased professional fees and capital outlay related to developments in the City.

Debt service expenditures represent the principal and interest payments made on the bond in fiscal year 2021.

### **General Fund Budgetary Highlights**

Actual general fund revenues were \$277,662 greater than budgeted revenues as sales tax and permits and development fees were both significantly more than anticipated.

Total actual 2021 general fund expenditures were \$1,815,091 less than budgeted general fund expenditures. The largest variance was due to capital outlay, where the City anticipated spending \$2,700,000 in 2022, but only spent \$951,560.

### **CAPITAL ASSETS**

The City's investment in capital assets as of September 30, 2021 amounts to \$2,067,311 (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:

	<u>2021</u>	<u>2020</u>
Land	\$ 256,193	\$ 256,193
Construction in progress	838,710	-
Buildings and improvements, net	760,049	780,134
Equipment, net	105,993	2,025
Infrastructure-Streets, net	106,366	129,752
Totals	<u>\$ 2,067,311</u>	<u>\$ 1,168,104</u>

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

## DEBT ADMINISTRATION

The City issued combination tax and revenue certificates of obligation bonds with a par value of \$2,930,000 in 2021.

Outstanding long-term debts are as follows:

	2021	2020
Bonds Payable	\$ 2,815,000	\$ -
Total	\$ 2,815,000	\$ -

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2022 general fund budget is a surplus budget as budgeted revenues exceed budgeted expenditures by \$143,735. This surplus is intended to be added to the City's reserve funds.

General fund budgeted revenues for fiscal year 2022 are \$1,788,796. These revenues include property tax, sales tax, franchise fees and municipal court revenues, which were budgeted to increase as the City expects to continue the upward trend in economic activity and development. Budgeted revenues are \$431,426, or 24% higher than 2021 actual results.

Budgeted 2022 general fund expenditures are \$1,645,061. Proposed budgeted expenditures are set for multiple new departments, including finance, planning and development, health, parks and recreation, and several others. The City anticipated the a total of \$718,874 in expenditures related to new departments in 2022.

## 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.

## *Basic Financial Statements*

**CITY OF NEW FAIRVIEW, TEXAS**  
**GOVERNMENT-WIDE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash	\$ 873,148
Investments	300,225
Receivables	313,788
Total current assets	<u>1,487,161</u>
Restricted cash	<u>2,392,718</u>
Capital assets	
Land	256,193
Buildings & improvements	916,542
Equipment	221,398
Infrastructure	350,754
Construction in progress	838,710
Less: accumulated depreciation	(516,286)
Capital assets, net	<u>2,067,311</u>
Total assets	<u><u>\$ 5,947,190</u></u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pension	\$ 22,686
Deferred outflows related to OPEB	872
Total deferred outflows of resources	<u><u>\$ 23,558</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 373,518
Accrued liabilities	41,977
Accrued compensated absences	13,653
Unearned revenues	199,970
General obligation bonds due within one year	85,000
General obligation bonds due in more than one year	2,730,000
Premium on bonds payable	72,004
Net pension liability	51,188
Total OPEB liability	6,415
Total liabilities	<u><u>\$ 3,573,725</u></u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pension	<u><u>\$ 3,602</u></u>
<b>Net position</b>	
Net investment in capital assets	\$ 1,346,498
Unrestricted	1,046,923
Total net position	<u><u>\$ 2,393,421</u></u>

**CITY OF NEW FAIRVIEW, TEXAS**  
**GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Governmental activities:				
General Government	\$ (610,998)	\$ 714,706	\$ -	\$ -
Public Safety	(20,778)	13,983	53,944	-
Public Works	(183,959)	-	-	23,200
Interest on Long-Term Debt	(32,047)	-	-	-
<b>Total Governmental activities</b>	<b>\$ (847,782)</b>	<b>\$ 728,689</b>	<b>\$ 53,944</b>	<b>\$ 23,200</b>
		<b>General Revenues:</b>		
				473,768
				206,057
				53,124
				15,447
				225
		<b>Total general revenues</b>		<b>748,621</b>
		<b>Change in net position</b>		<b>706,672</b>
		<b>Net position, beginning</b>		<b>1,686,749</b>
		<b>Net position, ending</b>		<b>\$ 2,393,421</b>

**CITY OF NEW FAIRVIEW, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	<b>General Fund</b>
<b>Assets:</b>	
Cash	\$ 3,265,866
Investments	300,225
Receivables:	
Sales taxes	40,384
Franchise fees	1,230
Developers	230,895
Property taxes	18,079
Grants	23,200
<b>Total assets</b>	<b>\$ 3,879,879</b>
<b>Liabilities:</b>	
Accounts payable	\$ 373,518
Accrued liabilities	34,524
Unearned revenue	199,970
<b>Total liabilities</b>	<b>608,012</b>
<b>Deferred inflows:</b>	
Unavailable revenue-property taxes	13,763
Unavailable revenue-grants	23,200
Unavailable revenue-developers	230,895
<b>Total deferred inflows</b>	<b>267,858</b>
<b>Fund balance:</b>	
Unassigned	3,004,009
<b>Total fund balance</b>	<b>3,004,009</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 3,879,879</b>



**CITY OF NEW FAIRVIEW, TEXAS****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

Total fund balances - governmental funds balance sheet (exhibit A-3)	\$ 3,004,009
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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.	2,067,311
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Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	267,858
--	---------

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

Bonds payable	(2,815,000)
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Premium on bonds payable	(72,004)
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Accrued compensated absences	(13,653)
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Accrued interest	(7,453)
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Net OPEB Liability and related deferred inflows and deferred outflows of resources	(5,543)
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Net Pension Liability and related deferred inflows and deferred outflows of resources	(32,104)
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<b>Net position of governmental activities - statement of net position</b>	<b>\$ <u><u>2,393,421</u></u></b>
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**CITY OF NEW FAIRVIEW, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>GENERAL FUND</b>
<b>Revenues</b>	
Property taxes	\$ 475,926
Sales and beverage taxes	206,057
Franchise fees	53,124
Municipal court	13,983
Permits and fees	538,664
Intergovernmental revenues	53,944
Miscellaneous revenues	15,447
Interest income	225
<b>Total revenues</b>	<u>1,357,370</u>
<b>Expenditures</b>	
General government	596,611
Public safety	20,778
Public works	157,285
Debt service - principal	115,000
Debt service - interest	28,384
Capital outlay	951,560
<b>Total expenditures</b>	<u>1,869,618</u>
<b>Deficiency of revenues under expenditures before other sources</b>	<u>(512,248)</u>
<b>Other financing sources</b>	
Proceeds from bond issuance	2,930,000
Proceeds from premium on bond issuance	75,794
<b>Total other financing sources</b>	<u>3,005,794</u>
<b>Excess of revenues and other sources over expenditures</b>	2,493,546
<b>Fund balance - beginning</b>	510,463
<b>Fund balance - ending</b>	<u>\$ 3,004,009</u>

**CITY OF NEW FAIRVIEW, TEXAS**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Change in Fund Balance - Governmental Funds		\$ 2,493,546
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 their estimated useful lives as depreciation expense:		
Capital assets recorded in the current period		951,560
Depreciation expense on capital assets		(52,353)
Borrowings on long-term debt are revenues in the governmental funds, but the borrowing increases long-term liabilities in the statement of net position:		
Proceeds from bond issuance	(2,930,000)	
Proceeds from premium on bond issuance	<u>(75,794)</u>	
		(3,005,794)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
		115,000
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	(2,158)	
Deferred revenues - grants	23,200	
Deferred revenues - developers	<u>176,042</u>	
		197,084
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued compensated absences	(3,653)	
Accrued Interest on long-term debts	(7,453)	
Amortization of bond premium	<u>3,790</u>	
		(7,316)
Governmental funds report pension and OPEB expenses as they are paid into the retirement plan during the fiscal year. However, in the statement of activities, pension and OPEB expenses reflects the change in net pension and OPEB liabilities during the plan fiscal year (calendar year 2020):		
		14,945
<b>Change in net position of governmental activities - statement of activities</b>		<u><u>\$ 706,672</u></u>

**CITY OF NEW FAIRVIEW**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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).

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Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

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 expensed are recognized at the time the liability is incurred.

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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.

**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:

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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.

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

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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.

#### **8. Equity Classifications**

##### *Government-wide Statements:*

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

*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.

*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.



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*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. Budget 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.

For the fiscal year ending September 30, 2021 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Public Works	\$ 5,027

**2. Deposits**

At September 30, 2021, the carrying amount of the City’s cash accounts were \$3,265,866, all of which was held in a checking accounts at a local financial institution. The City opened an investment account in 2021 with a fair market value of \$300,225 at September 30, 2021.

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*Deposit and Investment Risk Disclosures*

- A. 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, 2021, the City's bank balances (per bank) totaled \$3,583,902. Of the bank balances, \$250,000 was covered by federal depository insurance and \$3,333,902 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, 2021.

Securities pledged by the City's depository institution at September 30, 2021 are as follows:

Security	Par	FMV
Cleveland Tex	\$ 230,000	\$ 248,444
Anahuac Texas Indpt Sch Dist	160,000	176,478
Rolling Creek Util Dist Tex	1,020,000	1,083,985
Richardson TX GO	1,040,000	1,135,316
Williams Co MUD #1 GO	245,000	263,336
San Felipe Del Rio TX Cons ISD	860,000	1,051,204

- B. 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.
- C. 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.
- D. 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.

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.

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**4. Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2021 is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 256,193	\$ -	\$ -	\$ 256,193
Construction in Progress	-	838,710	-	838,710
Total capital assets not being depreciated	<u>256,193</u>	<u>838,710</u>	<u>-</u>	<u>1,094,903</u>
Capital assets being depreciated:				
Building & Improvements	916,542	-	-	916,542
Equipment	108,548	112,850	-	221,398
Infrastructure	350,754	-	-	350,754
Total capital assets being depreciated	<u>1,375,844</u>	<u>112,850</u>	<u>-</u>	<u>1,488,694</u>
Less accumulated depreciation for:				
Building & Improvements	136,405	20,088	-	156,493
Equipment	106,524	8,881	-	115,405
Infrastructure	221,004	23,384	-	244,388
Total accumulated depreciation	<u>463,933</u>	<u>52,353</u>	<u>-</u>	<u>516,286</u>
Net capital assets being depreciated	<u>911,911</u>	<u>60,497</u>	<u>-</u>	<u>972,408</u>
Net capital assets	<u>\$ 1,168,104</u>	<u>\$ 899,207</u>	<u>\$ -</u>	<u>\$ 2,067,311</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 25,679
Public works	26,674
Total depreciation expense	<u>\$ 52,353</u>

**5. Long-term Debt**

In March 2021, the City issued \$2,930,000 in Tax and Revenue Certificates of Obligation for constructing and improving streets, maintenance on municipal facilities, and park improvements. The Certificates shall be payable from ad valorem taxes and a limited pledge of the net revenues of the City's solid waste disposal system. The Certificates bear interest at 1.2% to 3%. The final maturity date is in 2040 and the annual series payments range from \$85,000 to \$185,000.

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

Governmental Activities:

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>	<u>Current Portion</u>
Bonds Payable	\$ <u>-</u>	\$ <u>2,930,000</u>	\$ <u>(115,000)</u>	\$ <u>2,815,000</u>	\$ <u>85,000</u>

Annual debt service requirements to maturity for the finance contracts are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	85,000	59,625	144,625
2023	95,000	57,075	152,075
2024	115,000	54,225	169,225
2025	125,000	50,775	175,775
2026	130,000	47,025	177,025
2027-2031	725,000	173,625	898,625
2032-2036	820,000	90,125	910,125
2037-2040	720,000	28,505	748,505
	\$ <u>2,815,000</u>	\$ <u>560,980</u>	\$ <u>3,375,980</u>

6. Retirement Plan

A. Plan Description

The City participates as one of 895 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](http://www.TMRS.com).

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

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**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 2019	Plan Year 2020
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	60/5 or 0/20	60/5 or 0/20

At the December 31, 2020 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving b	1
Inactive employees entitled to but not yet receiving bene	0
Active employees	3
	<u>4</u>

**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.

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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 11.64% and 10.53% for the calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$22,601 and were equal to the required contributions.

**D. Net Pension Liability or Assets**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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

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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).

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	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Real Return	12.0%	7.22%
Real Estate	12.0%	6.85%
Absolute Return	5.0%	5.35%
Private Equity	10.0%	10.00%
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.

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*Changes in Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$ 188,207	\$ 128,127	\$ 60,080
Service Cost	10,642	-	10,642
Interest	13,013	-	13,013
Differences between expected and actual results	(44)	-	(44)
Change in Assumptions	-	-	-
Contributions - employer	-	13,594	(13,594)
Contributions - employee	-	9,208	(9,208)
Net investment income	-	9,766	(9,766)
Benefit Payments, including refunds of employee contributions	(1,478)	(1,478)	-
Administrative expense	-	(63)	63
Other	-	(2)	2
Net Changes	<u>22,133</u>	<u>31,025</u>	<u>(8,892)</u>
Balance at December 31, 2020	<u>\$ 210,340</u>	<u>\$ 159,152</u>	<u>\$ 51,188</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%)
Net Pension Liability	\$ <u>95,572</u>	\$ <u>51,188</u>	\$ <u>15,701</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.tmr.com](http://www.tmr.com).



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

For the year ended September 30, 2021 the City recognized pension expense of \$7,234.

At September 30, 2021, 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	\$ 5,641	\$ -	\$ 5,641
Differences between projected and actual investment earnings	-	3,602	(3,602)
Assumption Changes	<u>1,100</u>	<u>-</u>	<u>1,100</u>
To be recognized in the future	6,741	3,602	<u>\$ 3,139</u>
Contributions subsequent to the measurement date	15,945	-	
Total	\$ <u><u>22,686</u></u>	\$ <u><u>3,602</u></u>	

The \$15,945 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,	
2021	\$ 285
2022	1,316
2023	(494)
2024	950
2025	853
Thereafter	<u>229</u>
	\$ <u><u>3,139</u></u>

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**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, 2020 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving b	1
Inactive employees entitled to but not yet receiving bene	0
Active employees	3
	<hr/>
	4

***Total OPEB Liability***

The City's Total OPEB Liability was measured as of December 31, 2020, and the Total OPEB Liability was determined by actuarial valuation as of that date.

***Actuarial Assumptions:***

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.00%
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, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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*Changes in Total OPEB Liability*

Balance at December 31, 2019	\$	6,295
Changes for the year		
Service Cost		118
Interest on Total OPEB Liability		173
Changes in Benefit Terms		-
Differences between expected and actual results		(388)
Changes in assumptions or other inputs		349
Benefit Payments *		(132)
Net Changes		120
Balance at December 31, 2020	\$	<u>6,415</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%, 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 (1%) or 1-percentage-point higher (3%) than the current rate:

	1% Decrease (1.00%)	Current (2.00%)	1% Increase (3.00%)
Total OPEB Liability	\$ <u>7,102</u>	\$ <u>6,415</u>	\$ <u>5,807</u>

**B. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2021 the City recognized OPEB expense of \$421. At September 30, 2021, 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	\$ (304)	\$ -	\$ (304)
Differences in assumptions	<u>740</u>	<u>-</u>	<u>740</u>
To be recognized in the future	436	-	\$ <u>436</u>
Contributions subsequent to the measurement date	<u>436</u>	<u>-</u>	
Total	\$ <u>872</u>	\$ <u>-</u>	

**CITY OF NEW FAIRVIEW**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The \$436 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,		
2021	\$	91
2022		91
2023		90
2024		75
2024		65
Thereafter		24
	\$	<u>436</u>

**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.

**9. Subsequent Events**

The City has evaluated all events and transactions that occurred after September 30, 2021 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF NEW FAIRVIEW, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes	\$ 487,708	\$ 487,708	\$ 475,926	\$ (11,782)
Sales & beverage taxes	130,000	130,000	206,057	76,057
Franchise fees	47,000	47,000	53,124	6,124
Permits & development fees	350,000	350,000	538,664	188,664
Municipal court	15,000	15,000	13,983	(1,017)
Intergovernmental revenues	-	-	53,944	53,944
Other revenues	50,000	50,000	15,447	(34,553)
Interest income	-	-	225	225
<b>Total revenues</b>	<b>\$ 1,079,708</b>	<b>\$ 1,079,708</b>	<b>\$ 1,357,370</b>	<b>\$ 277,662</b>
<b>Expenditures:</b>				
General government				
Salaries & wages	\$ 191,920	\$ 191,920	\$ 188,296	\$ 3,624
Payroll taxes	18,185	18,185	21,523	(3,338)
Health insurance	26,595	26,595	24,304	2,291
Retirement	27,111	27,111	22,601	4,510
Employee vehicle expense	4,600	4,600	841	3,759
Accounting & auditing services	14,000	14,000	5,500	8,500
Engineering services	15,000	15,000	21,065	(6,065)
Legal services	80,000	80,000	91,281	(11,281)
Other professional services	33,000	33,000	8,567	24,433
Planning services	30,000	30,000	7,117	22,883
Animal control	2,000	2,000	825	1,175
Code enforcement	25,000	25,000	8,381	16,619
Dues, membership & training	27,700	27,700	17,217	10,483
Election expenses	3,000	3,000	3,280	(280)
Grant expenditures	-	-	23,174	(23,174)
Inspections	56,500	56,500	53,019	3,481
Insurance	5,500	5,500	9,535	(4,035)
Miscellaneous expenses	3,100	3,100	5,520	(2,420)
Office supplies	13,840	13,840	25,631	(11,791)
Property tax assessor/collector	-	-	13,968	(13,968)
Public notices	1,800	1,800	1,515	285
Repairs & maintenance - building	14,500	14,500	-	14,500
Software	37,500	37,500	34,808	2,692
Street lights	4,000	4,000	-	4,000
Telephone & internet	6,000	6,000	-	6,000
Utilities	5,600	5,600	8,643	(3,043)
<b>Total general government</b>	<b>646,451</b>	<b>646,451</b>	<b>596,611</b>	<b>49,840</b>

**CITY OF NEW FAIRVIEW, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	
Municipal court				
Dues, membership & training	1,500	1,500	-	1,500
Judge	1,500	1,500	-	1,500
Software	5,000	5,000	-	5,000
Total municipal court	8,000	8,000	-	8,000
Police				
Contract labor	28,000	28,000	20,778	7,222
Public works				
Contract Labor	94,000	94,000	65,845	28,155
Equipment Rental	2,500	2,500	3,521	(1,021)
Equipment Repair and Supplies	2,000	2,000	9,975	(7,975)
Minor Equipment	-	-	2,125	(2,125)
Miscellaneous expenses	500	500	67	433
Signs	1,500	1,500	3,766	(2,266)
Fuel	1,500	1,500	3,567	(2,067)
Repairs & maintenance - building	14,500	14,500	15,812	(1,312)
Street Repairs	10,000	10,000	46,180	(36,180)
Utilities	1,400	1,400	6,427	(5,027)
Total streets	127,900	127,900	157,285	(5,027)
Debt service				
Interest paid	-	-	28,384	(28,384)
Principal paid	150,000	150,000	115,000	35,000
Total debt service	150,000	150,000	143,384	6,616
Capital outlay				
Building improvements	2,700,000	2,700,000	951,560	1,748,440
Total capital outlay	2,700,000	2,700,000	951,560	1,748,440
<b>Total expenditures</b>	<b>3,660,351</b>	<b>3,660,351</b>	<b>1,869,618</b>	<b>1,815,091</b>
<b>Transfers &amp; other sources</b>				
Proceeds from bond issuance	3,000,000	3,000,000	2,930,000	70,000
Proceeds from premium on bond issuance	-	-	75,794	(75,794)
Transfer From Community Development	300,000	300,000	-	(300,000)
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 719,357</b>	<b>\$ 719,357</b>	<b>2,493,546</b>	<b>\$ 1,792,753</b>
<b>Fund balance - beginning of year</b>			<b>510,463</b>	
<b>Fund balance - end of year</b>			<b>\$ 3,004,009</b>	



**CITY OF NEW FAIRVIEW, TEXAS**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Budget and Budgetary Accounting**

The City Council adopts an annual budget for the general fund. The general fund budget is legally adopted on a modified accrual basis.

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

**Budget Amendments**

The budget was not amended during the year ended September 30, 2021.

## CITY OF NEW FAIRVIEW, TEXAS

## TEXAS MUNICIPAL RETIREMENT SYSTEM

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2020

	2014	2015	2016	2017	2018	2019	2020
<b>Total pension liability</b>							
Service Cost	\$ 7,487	\$ 5,372	\$ 5,743	\$ 5,833	\$ 6,524	\$ 7,249	\$ 10,642
Interest (on the total pension liability)	6,568	7,181	8,150	9,130	10,186	11,415	13,013
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	249	1,955	2,051	1,814	2,608	3,291	(44)
Change of assumptions	-	5,525	-	-	-	1,510	-
Benefit payments, including refunds of employee contributions	(6,348)	(2,633)	(1,478)	(1,478)	(1,478)	(1,478)	(1,478)
<b>Net change in pension liability</b>	7,956	17,400	14,466	15,299	17,840	21,987	22,133
<b>Total pension liability - beginning</b>	93,259	101,215	118,615	133,081	148,380	166,220	188,207
<b>Total pension liability - ending</b>	<u>101,215</u>	<u>118,615</u>	<u>133,081</u>	<u>148,380</u>	<u>166,220</u>	<u>188,207</u>	<u>210,340</u>
<b>Plan fiduciary net position</b>							
Contributions - Employer	\$ 3,750	\$ 3,548	\$ 3,324	\$ 5,383	\$ 6,998	\$ 8,661	\$ 13,594
Contributions - Employee	6,265	4,922	4,994	5,072	5,673	6,303	9,208
Net investment income	2,793	81	4,135	9,997	(2,731)	15,415	9,766
Benefit payments, including refunds of employee contributions	(6,348)	(2,633)	(1,478)	(1,478)	(1,478)	(1,478)	(1,478)
Administrative expense	(29)	(50)	(47)	(52)	(53)	(87)	(63)
Other	(2)	(2)	(3)	(3)	(3)	(2)	(2)
<b>Net change in plan fiduciary net position</b>	6,429	5,866	10,925	18,919	8,406	28,812	31,025
<b>Net fiduciary position - beginning</b>	48,770	55,199	61,065	71,990	90,909	99,315	128,127
<b>Net fiduciary position - ending</b>	<u>\$ 55,199</u>	<u>\$ 61,065</u>	<u>\$ 71,990</u>	<u>\$ 90,909</u>	<u>\$ 99,315</u>	<u>\$ 128,127</u>	<u>\$ 159,152</u>
<b>Net pension liability (a) - (b)</b>	<u>\$ 46,016</u>	<u>\$ 57,550</u>	<u>\$ 61,091</u>	<u>\$ 57,471</u>	<u>\$ 66,905</u>	<u>\$ 60,080</u>	<u>\$ 51,188</u>
Plan fiduciary net position as a percentage of total pension liability	54.54%	51.48%	54.09%	61.27%	59.75%	68.08%	75.66%
Covered employee payroll	\$ 89,497	\$ 70,312	\$ 71,336	\$ 72,455	\$ 81,040	\$ 90,047	\$ 131,547
Net pension liability as a percentage of covered payroll	51.42%	81.85%	85.64%	79.32%	82.56%	66.72%	38.91%

**CITY OF NEW FAIRVIEW, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**SEPTEMBER 30, 2021**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 3,719	\$ 3,477	\$ 4,933	\$ 6,660	\$ 8,635	\$ 9,976	\$ 22,601
Contributions in relation to the actuarially determined contribution	3,719	3,477	4,933	6,660	8,635	9,976	22,601
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 71,035	\$ 70,429	\$ 71,944	\$ 79,404	\$ 91,219	\$ 90,047	\$ 131,547
Contributions as a percentage of covered employee payroll	5.24%	4.94%	6.86%	8.39%	9.47%	11.08%	17.18%

**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, TEXAS****TEXAS MUNICIPAL RETIREMENT SYSTEM****SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

DECEMBER 31, 2020

<b>Plan Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>TOTAL OPEB LIABILITY</b>				
Total OPEB Liability Beginning of Year	\$ 5,085	\$ 5,560	\$ 5,503	\$ 6,295
Changes for the year				
Service Cost	43	57	54	118
Interest on Total OPEB Liability	192	184	203	173
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	47	4	(388)
Change of assumptions or other inputs	305	(264)	621	349
Benefit payments	(65)	(81)	(90)	(132)
<b>NET CHANGE IN OPEB LIABILITY</b>	<b>475</b>	<b>(57)</b>	<b>792</b>	<b>120</b>
<b>TOTAL OPEB LIABILITY - END OF YEAR</b>	<b>\$ 5,560</b>	<b>\$ 5,503</b>	<b>\$ 6,295</b>	<b>\$ 6,415</b>
 Covered employee payroll	 \$ 72,455	 \$ 81,040	 \$ 90,047	 \$ 131,547
 OPEB Liability as a percentage of covered payroll	 7.67%	 6.79%	 6.99%	 4.88%

**NOTES TO SCHEDULE**

Changes of assumptions:

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

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

## *Internal Control and Compliance*



## **Independent Auditors' Report**

### **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

City Council  
City of New Fairview, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Fairview, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of New Fairview, Texas' basic financial statements and have issued our report thereon dated March 31, 2023.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of New Fairview, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Fairview, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Fairview, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness. See Finding 2021-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies. See Finding 2021-2.

#### **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*MWH Group, P.C.*

MWH GROUP, P.C.

March 31, 2023

**CITY OF NEW FAIRVIEW, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**A. Summary of Auditor's Results - Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	<u>  X  </u> Yes <u>      </u> No
Significant deficiency identified that is not considered to be material weaknesses?	<u>  X  </u> Yes <u>      </u> No
Noncompliance material to financial statements noted?	<u>      </u> Yes <u>  X  </u> No

**B. Financial Statement Findings**

***Finding 2021-1: Material Weakness over Financial Reporting - Material Audit Adjustments***

***Condition and Criteria:*** The City's internal control over financial reporting should ensure all financial statement amounts are adjusted to be in accordance with generally accepted accounting principles (GAAP). During the audit, we proposed several audit adjustments that were material to the City's financial statements.

***Cause:*** The City failed to identify all the adjustments needed during the year-end close process to adjust the general ledger balances to be in accordance with GAAP.

***Effect:*** Material audit adjustments were required for the financial statement amounts to be in accordance with GAAP.

***Recommendations:*** We recommend that the City perform all necessary reconciliations of general ledger balances to supporting records during the year and especially during the year-end close process to ensure that all balances are adjusted as necessary to be in agreement with the supporting records and recorded in accordance with GAAP. Additionally, we recommend that the City analyze unusual transactions during the year to determine if they are properly recorded in the general ledger.

***Response:*** The City is aware of these limitations in internal controls and is working to find ways to improve.

***Finding 2021-2: Significant Deficiency over Financial Reporting - Segregation of Duties***

***Condition and Criteria:*** Internal controls are not optimal due to the lack of segregation of duties.

***Cause:*** The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide optimum segregation of duties.

***Effect:*** There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.



*Recommendations:* We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves.

*Response:* The City is aware of these limitations in internal controls and is working to find ways to improve.