

CITY OF NEW FAIRVIEW, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022



**CITY OF NEW FAIRVIEW, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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Financial Section



Independent Auditor's Report on Financial Statements

City Council
City of New Fairview, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of New Fairview, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Fairview, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of New Fairview, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Fairview, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 5 through 12 and 39 through 44, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 July 17, 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 solely 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 the effectiveness of the City of New Fairview, Texas' 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
July 17, 2023

CITY OF NEW FAIRVIEW, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2022

MAYOR	John Taylor
MAYOR PRO TEM	Steven King
COUNCIL MEMBERS	Harvey Lynn Burger
	John Fissette
	Walter Clements
	Jimmy Royston
CITY ADMINISTRATOR	John Cabrales, Jr.
SECRETARY	Brooke Boller
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, 2022.

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, 2022 by \$4,594,684, an increase of \$2,201,263 from the prior year.
- On September 30, 2022, the City's governmental funds reported fund balances of \$1,381,291 a decrease of \$1,622,718 from the prior year.
- The City's capital assets, reported at cost less accumulated depreciation, total \$5,666,997 on September 30, 2022. The City had outstanding long-term debt of \$2,730,000 at September 30, 2022.

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 13) 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 14) 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 15) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 17) 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 19.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position is its investment in capital assets, (land, construction in progress, 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>2022</u>	<u>2021</u>
Current and other assets	\$ 2,274,383	\$ 3,879,879
Capital assets, net	<u>5,666,997</u>	<u>2,067,311</u>
Total Assets	<u>7,941,380</u>	<u>5,947,190</u>
 Deferred Outflows of Resources	<u>24,485</u>	<u>23,558</u>
 Current liabilities	634,645	786,122
Long-term liabilities	2,635,000	2,730,000
Net Pension & OPEB Liabilities	<u>8,570</u>	<u>57,603</u>
Total Liabilities	<u>3,278,215</u>	<u>3,573,725</u>
 Deferred Inflows of Resources	<u>92,966</u>	<u>3,602</u>
 Net position:		
Net investment in capital assets	2,887,867	1,346,498
Unrestricted	<u>1,706,817</u>	<u>1,046,923</u>
Total net position	<u>\$ 4,594,684</u>	<u>\$ 2,393,421</u>

The City's net position increased \$2,201,263 from September 30, 2021, to September 30, 2022. The largest portion (63%) of the City's net position is its investment in capital assets, (land, construction in progress, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT'D)

During fiscal year 2022, the City had capital asset additions of \$3,671,537. The capital asset additions include \$1,235,272 in donated infrastructure relating to developer agreements. Changes to current liabilities include a decrease of \$207,599 in accounts payable and an increase of \$62,652 in accrued liabilities from September 30, 2021 to September 30, 2022.

As of September 30, 2021, the City had an actuarially determined net pension liability amounting to \$51,188. However, changes were made to the Texas Municipal Retirement System (TMRS) plan during the current fiscal year. These changes resulted in the conversion of the net pension liability to a net pension asset. At September 30, 2022, the net pension asset was \$45,483

Analysis of City's Operations

A summary of the City's operations for the years ended September 30, 2022 and 2021 are as follows:

Table A-2
Changes in Net Position

	2022	2021
Revenues:		
Program revenues		
Charges for services	\$ 960,435	\$ 728,689
Operating grants & contributions	8,679	53,944
Capital grants & contributions	1,447,291	23,200
General revenues		
Property taxes	604,700	473,768
Sales taxes	439,640	206,057
Franchise fees	69,922	53,124
Miscellaneous	17,745	15,447
Interest income	8,895	225
Total Revenues	<u>\$ 3,557,307</u>	<u>\$ 1,554,454</u>
Program expenses:		
General Government	\$ 1,012,032	\$ 610,998
Public Safety	18,636	20,778
Public Works	269,527	183,959
Interest on long-term debts	55,849	32,047
Total expenses	<u>1,356,044</u>	<u>847,782</u>
Increase in net position	<u>\$ 2,201,263</u>	<u>\$ 706,672</u>

Analysis of City's Operations (Cont'd)

Charges for services revenues includes development revenues and municipal court fines. Development revenues increased \$229,157 (32%) due to the development of new subdivisions in the City, and municipal court fines increased \$2,589 (19%).

Capital grants and contributions increased \$1,424,091 (6138%) primarily due to the receipt of Coronavirus Local Fiscal Recovery funds of \$191,290 and the receipt of donated infrastructure of \$1,235,272 in the current fiscal year.

The City began assessing property tax in fiscal year 2020. The tax rate is .30 per \$100 of valuation and has not changed since its inception. The property tax collections are \$604,700, which is an increase of \$130,932 from the prior year. This increase is due to various development projects within the City.

The City's sales tax revenues increased \$233,583 (113%) from the previous fiscal year. This City has seen a trend of increasing sales taxes revenues over the last several years due to the economic growth of the City.

Total program expenses increased \$508,262 (60%) in 2022 primarily due to an increase in general government expenses of \$401,034 and the increase in public works expenses of \$85,568. The increase in general government expenses was primarily due to the increase in salaries and wage and capital outlay expenses and the increase in public works is primarily due to small equipment purchases and miscellaneous street and building repairs.

Interest expenditures increased \$23,802 (74%) in 2022 due to the issuance of long-term debt in 2021. The expense increased in fiscal year 2022 as it is the first full year of bond payments.

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 ANALYSIS (CONT'D)

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

Table A-3
Changes in Government Funds

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Revenues:			
Property taxes	\$ 594,435	\$ 475,926	25%
Sales taxes	439,640	206,057	113%
Franchise fees	69,922	53,124	32%
Municipal Court	16,572	13,983	19%
Permits & fees	836,909	538,664	55%
Intergovernmental revenues	199,970	53,944	271%
Miscellaneous revenues	17,745	15,447	15%
Interest Income	8,895	225	3853%
Total revenues	<u>\$ 2,184,088</u>	<u>\$ 1,357,370</u>	<u>61%</u>
Expenditures:			
General Government	\$ 979,129	\$ 596,611	64%
Public Safety	18,636	20,778	-10%
Public Works	227,820	157,285	45%
Debt Service	144,957	143,384	1%
Capital Outlay	2,436,264	951,560	156%
Total expenditures	<u>\$ 3,806,806</u>	<u>\$ 1,869,618</u>	<u>104%</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>-</u>	<u>3,005,794</u>	<u>-100%</u>
Change in fund balance	<u>\$ (1,622,718)</u>	<u>\$ 2,493,546</u>	

Fund basis revenues increased \$826,718 (61%) primarily due to increased sales tax collections (113%), permits and fees (55%) and intergovernmental revenues (271%) associated with grant revenue from the Coronavirus Relief Local Fiscal Recovery Fund.

Governmental fund operating expenditures increased \$1,937,188 primarily due to increased capital outlay activity (156%) related the 2021 Street Improvement Project. General government expenditures increased (64%) primarily due to the increase in salaries and wages expense of \$140,324.

GOVERNMENTAL FUND ANALYSIS (CONT'D)

Public works expenditures increased (45%) primarily due to minor equipment purchases of \$22,789 and repairs and maintenance expenditures of \$12,943.

Debt service expenditures represent the principal and interest payments made on the bond in fiscal year 2022. There were no long-term debts issued in fiscal year 2022.

General Fund Budgetary Highlights

Actual general fund revenues were \$411,599 less than budgeted revenues. Although property and sales tax revenues significantly exceeded budget appropriations, intergovernmental revenues were less than anticipated.

Total actual 2022 general fund expenditures were \$1,251,513 less than budgeted general fund expenditures. The largest variance was due to capital outlay, where the City anticipated spending \$3,576,833 in 2022, but only spent \$2,436,264.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2022 amounts to \$5,666,997 (net of depreciation). The investment in capital assets includes land, construction in progress, buildings, equipment, and infrastructure.

There were several capital additions during the fiscal year. The largest additions are \$2,334,607 for street improvement projects that are currently under construction and \$1,235,272 for donated infrastructure.

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

Table A-4
Capital Assets, Net of Accumulated Depreciation

	2022	2021
Land	\$ 256,193	\$ 256,193
Construction in progress	3,193,853	838,710
Buildings and improvements, net	758,060	760,049
Equipment, net	142,216	105,993
Infrastructure-Streets, net	1,316,675	106,366
Totals	<u>\$ 5,666,997</u>	<u>\$ 2,067,311</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:

Table A-5
Schedule of Long-term Debt

	2022	2021
Bonds Payable	\$ 2,730,000	\$ 2,815,000
Total	<u>\$ 2,730,000</u>	<u>\$ 2,815,000</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2023 general fund budget is a surplus budget as budgeted revenues exceed budgeted expenditures by \$46,164. This surplus is intended to be added to the City's reserve funds.

General fund budgeted revenues for fiscal year 2023 are \$1,793,185. Budgeted revenues for property tax, franchise fees, and other miscellaneous revenue increased, however, budgeted sales tax and permits and fees decreased. Budgeted revenues are \$360,303, or 17% smaller than 2022 actual results.

Budgeted 2023 general fund expenditures are \$1,747,021. Significant increases in proposed budgeted expenditures includes an increase in public works and parks and recreation expenditures for various construction projects throughout the City.

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, 2022

	Governmental Activities
Assets	
Current assets	
Cash	\$ 207,360
Investments	1,453,965
Receivables	473,334
Net pension asset	45,483
Total current assets	<u>2,180,142</u>
Restricted cash	<u>94,241</u>
Capital assets	
Land	256,193
Buildings & improvements	934,742
Equipment	284,320
Infrastructure	1,586,026
Construction in progress	3,193,853
Less: accumulated depreciation	(588,137)
Capital assets, net	<u>5,666,997</u>
Total assets	<u><u>\$ 7,941,380</u></u>
Deferred outflows of resources	
Deferred outflows related to pension	\$ 21,818
Deferred outflows related to OPEB	2,667
Total deferred outflows of resources	<u><u>\$ 24,485</u></u>
Liabilities	
Accounts payable	\$ 165,919
Accrued liabilities	104,629
Accrued compensated absences	8,835
Unearned revenues	192,047
General obligation bonds due within one year	95,000
General obligation bonds due in more than one year	2,635,000
Premium on bonds payable	68,215
Total OPEB liability	8,570
Total liabilities	<u><u>\$ 3,278,215</u></u>
Deferred inflows of resources	
Deferred inflows related to pension	<u><u>\$ 92,966</u></u>
Net position	
Net investment in capital assets	\$ 2,887,867
Unrestricted	1,706,817
Total net position	<u><u>\$ 4,594,684</u></u>

CITY OF NEW FAIRVIEW, TEXAS
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	\$ (1,012,032)	\$ 943,863	\$ -	\$ -	\$ (68,169)
Public Safety	(18,636)	16,572	8,679	-	6,615
Public Works	(269,527)	-	-	1,447,291	1,177,764
Interest on Long-Term Debt	(55,849)	-	-	-	(55,849)
Total Governmental activities	\$ (1,356,044)	\$ 960,435	\$ 8,679	\$ 1,447,291	1,060,361
General Revenues:					
					604,700
					439,640
					69,922
					17,745
					8,895
Total General revenues					1,140,902
			Change in net position		2,201,263
			Net position, beginning		2,393,421
			Net position, ending	\$	<u>4,594,684</u>

CITY OF NEW FAIRVIEW, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Public Improvement Districts	Total
Assets:			
Cash	\$ 301,601	\$ -	\$ 301,601
Investments	1,453,965	-	1,453,965
Receivables:			
Sales taxes	79,687	-	79,687
Franchise fees	1,425	-	1,425
Developers	324,267	-	324,267
Property taxes	24,028	-	24,028
Grants	43,927	-	43,927
Due from/to other funds	(30,600)	30,600	-
Total assets	\$ 2,198,300	\$ 30,600	\$ 2,228,900
Liabilities:			
Accounts payable	\$ 165,919	\$ -	\$ 165,919
Accrued liabilities	97,495	-	97,495
Unearned revenue	192,047	-	192,047
Total liabilities	455,461	-	455,461
Deferred inflows:			
Unavailable revenue-property taxes	24,028	-	24,028
Unavailable revenue-grants	43,927	-	43,927
Unavailable revenue-developers	324,193	-	324,193
Total deferred inflows	392,148	-	392,148
Fund balance:			
Unassigned	1,350,691	30,600	1,381,291
Total fund balance	1,350,691	30,600	1,381,291
Total liabilities, deferred inflows and fund balances	\$ 2,198,300	\$ 30,600	\$ 2,228,900

CITY OF NEW FAIRVIEW, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total fund balances - governmental funds balance sheet (exhibit A-3)	\$ 1,381,291
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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.	5,666,997
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Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	392,148
--	---------

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

Bonds payable	(2,730,000)
---------------	-------------

Premium on bonds payable	(68,215)
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Accrued compensated absences	(8,835)
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Accrued interest	(7,134)
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Net OPEB Liability and related deferred inflows and deferred outflows of resources	(5,903)
--	---------

Net Pension Asset and related deferred inflows and deferred outflows of resources	(25,665)
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Net position of governmental activities - statement of net position	\$ <u>4,594,684</u>
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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, 2022

	General Fund	Public Improvement Districts	Total
Revenues			
Property taxes	\$ 563,835	\$ 30,600	\$ 594,435
Sales and beverage taxes	439,640	-	439,640
Franchise fees	69,922	-	69,922
Municipal court	16,572	-	16,572
Permits and fees	836,909	-	836,909
Intergovernmental revenues	199,970	-	199,970
Miscellaneous revenues	17,745	-	17,745
Interest income	8,895	-	8,895
Total revenues	<u>2,153,488</u>	<u>30,600</u>	<u>2,184,088</u>
Expenditures			
General government	979,129	-	979,129
Public safety	18,636	-	18,636
Public works	227,820	-	227,820
Debt service - principal	85,000	-	85,000
Debt service - interest	59,957	-	59,957
Capital outlay	2,436,264	-	2,436,264
Total expenditures	<u>3,806,806</u>	<u>-</u>	<u>3,806,806</u>
Deficiency of revenues under expenditures before other sources	<u>(1,653,318)</u>	<u>30,600</u>	<u>(1,622,718)</u>
Excess of revenues and other sources over expenditures	<u>(1,653,318)</u>	<u>30,600</u>	<u>(1,622,718)</u>
Fund balance - beginning	<u>3,004,009</u>	<u>-</u>	<u>3,004,009</u>
Fund balance - ending	<u>\$ 1,350,691</u>	<u>\$ 30,600</u>	<u>\$ 1,381,291</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, 2022**

Net Change in Fund Balance - Governmental Funds \$ (1,622,718)

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	2,436,264
Donated assets recorded in the current period	1,235,273
Depreciation expense on capital assets	(71,851)

Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	85,000
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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	10,265	
Deferred revenues - grants	20,727	
Deferred revenues - developers	93,298	
		124,290

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	4,818	
Accrued Interest on long-term debts	319	
Amortization of bond premium	3,789	
		8,926

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 2021):

6,079

Change in net position of governmental activities - statement of activities	<u><u>\$ 2,201,263</u></u>
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CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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). The City does participate in a PID (Public Improvement District). The PID was established in 2020 and began receiving tax collections in 2022 from the Denton County Tax Assessor. The PID is ultimately governed by the City, however the funds are managed in a trust and can only be withdrawn for eligible expenses from either the City or the developer that is working on the Constellation Lake development. The purpose of these funds are to help improve the acreage around the Constellation Lake to attract buyers to the development being established on the 700+ acres.

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.

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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. 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 in the General Fund and PID 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 PID Fund is a special component unit fund that can be drawn from by the City and the developer of the Constellation Lakes Development. The PID Fund is restricted for the City to only pull from to reimburse cost of ad valorem services from the Denton County Tax Office and for the Developer to pull from for approved projects, by City Council, at the development.

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.

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.
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 at local institutions and investments in Texas Class a Texas Local Government Investment Pools. These investment pool funds are readily available and are recorded at Fair Market Value.

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

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.

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

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

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

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, 2022 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Public Works	\$ 10,895
Debt Service	332

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. Deposits

At September 30, 2022, the carrying amount of the City's cash accounts were \$1,755,566, of which \$301,601 was held in a checking account at a local financial institution and \$1,453,965 was held in an investment account at Texas Class a Texas Local Government Investment Pool. These investment pool funds are readily available and are recorded at Fair Market Value.

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, 2022, the City's bank balances (per bank) totaled \$1,861,806. Of the bank balances, \$250,000 was covered by federal depository insurance and \$3,555,000 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, 2022.

Securities pledged by the City's depository institution at September 30, 2022 are as follows:

Security	Par	FMV
Cleveland Tex	\$ 230,000	\$ 206,802
Anahuac Texas Indpt Sch Dist	160,000	151,907
Rolling Creek Util Dist Tex	1,020,000	909,911
Richardson TX GO	1,040,000	915,408
Williams Co MUD #1 GO	245,000	203,120
San Felipe Del Rio TX Cons ISD	860,000	911,351

- 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.

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

4. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2022 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	2,355,143	-	3,193,853
Total capital assets not being depreciated	<u>1,094,903</u>	<u>2,355,143</u>	<u>-</u>	<u>3,450,046</u>
Capital assets being depreciated:				
Building & Improvements	916,542	18,200	-	934,742
Equipment	221,398	62,922	-	284,320
Infrastructure	350,754	1,235,272	-	1,586,026
Total capital assets being depreciated	<u>1,488,694</u>	<u>1,316,394</u>	<u>-</u>	<u>2,805,088</u>
Less accumulated depreciation for:				
Building & Improvements	156,493	20,189	-	176,682
Equipment	115,405	26,699	-	142,104
Infrastructure	244,388	24,963	-	269,351
Total accumulated depreciation	<u>516,286</u>	<u>71,851</u>	<u>-</u>	<u>588,137</u>
Net capital assets being depreciated	<u>972,408</u>	<u>1,244,543</u>	<u>-</u>	<u>2,216,951</u>
Net capital assets	\$ <u>2,067,311</u>	\$ <u>3,599,686</u>	\$ <u>-</u>	\$ <u>5,666,997</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 30,144
Public works	41,707
Total depreciation expense	<u>\$ 71,851</u>

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

On September 23, 2022, the City received a donation of infrastructure assets from Dove Hollow Development, LLC for the completion of Paloma Ranch Estates, Phases 1 and 2, as part of their obligations under a development agreement with the City. The fair value of the donated infrastructure at the time of donation was estimated to be \$1,235,272. This valuation was based on the acquisition costs that were incurred by Dove Hollow Development, LLC to construct the infrastructure, which is an acceptable method for estimating fair value when there is no active market for such assets.

The donated infrastructure includes roads, storm water facilities, sidewalks, and drainage in the newly developed residential area known Paloma Ranch Estates. The donated infrastructure will be maintained by the City for use by the residents of the Paloma Ranch Estates and other members of the public. Phases 3 and 4 of the development agreement commenced in the current fiscal year and were not complete as of September 30, 2022.

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.

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

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>	<u>Current Portion</u>
Bonds Payable	\$ <u>2,815,000</u>	\$ <u>-</u>	\$ <u>(85,000)</u>	\$ <u>2,730,000</u>	\$ <u>95,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	135,000	43,125	178,125
2028-2032	745,000	153,425	898,425
2033-2037	840,000	78,365	918,365
2038-2040	545,000	17,340	562,340
	\$ <u>2,730,000</u>	\$ <u>501,355</u>	\$ <u>3,231,355</u>

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

6. Retirement Plan

A. Plan Description

The City participates as one of 901 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 (ACFR) can be obtained at www.TMRS.com.

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

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 2020	Plan Year 2021
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, 0/20	60/5, 0/20

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

At the December 31, 2021 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	1
Active employees	<u>3</u>
	5

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 12.11% and 11.64% for the calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$27,869 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, 2021, 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, 2021 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

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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).

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

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Real Return	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

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, 2022

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	\$ 210,340	\$ 159,152	\$ 51,188
Service Cost	25,522	-	25,522
Interest	16,298	-	16,298
Change in benefit terms including substantively automatic status	19,096	-	19,096
Differences between expected and actual results	(99,354)	-	(99,354)
Change in Assumptions	-	-	-
Contributions - employer	-	23,141	(23,141)
Contributions - employee	-	14,338	(14,338)
Net investment income	-	20,850	(20,850)
Benefit Payments, including refunds of employee contributions	(1,478)	(1,478)	-
Administrative expense	-	(96)	96
Other	-	-	-
Net Changes	<u>(39,916)</u>	<u>56,755</u>	<u>(96,671)</u>
Balance at December 31, 2021	\$ <u>170,424</u>	\$ <u>215,907</u>	\$ <u>(45,483)</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>(4,153)</u>	\$ <u>(45,483)</u>	\$ <u>(76,134)</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, 2022

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

For the year ended September 30, 2022 the City recognized pension expense of \$20,898.

At September 30, 2022, 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	\$ -	\$ 82,501	\$ (82,501)
Differences between projected and actual investment earnings	-	10,465	(10,465)
Assumption Changes	<u>895</u>	<u>-</u>	<u>895</u>
To be recognized in the future	895	92,966	<u><u>\$ (92,071)</u></u>
Contributions subsequent to the measurement date	20,923	-	
Total	\$ <u><u>21,818</u></u>	\$ <u><u>92,966</u></u>	

The \$20,923 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, 2022. 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,	
2022	\$ (13,220)
2023	(15,030)
2024	(13,586)
2025	(13,680)
2026	(12,283)
Thereafter	<u>(24,272)</u>
	\$ <u><u>(92,071)</u></u>

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2021 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	1
Active employees	<u>3</u>
	5

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2021, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	1.84%
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, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in Total OPEB Liability

Balance at December 31, 2020	\$	6,415
Changes for the year		
Service Cost		348
Interest on Total OPEB Liability		126
Changes in Benefit Terms		-
Differences between expected and actual results		2,016
Changes in assumptions or other inputs		259
Benefit Payments *		(594)
Net Changes		<u>2,155</u>
Balance at December 31, 2021	\$	<u>8,570</u>

* Due to SDBF being considered an unfunded OPEB plan under GASB No. 75, benefit payments are treated as being equal to employer's yearly contribution for retirees

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease (0.84%)	Current (1.84%)	1% Increase (2.84%)
Total OPEB Liability	\$ <u>10,558</u>	\$ <u>8,570</u>	\$ <u>7,176</u>

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

For the year ended September 30, 2022 the City recognized OPEB expense of \$893. At September 30, 2022, 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	\$ 1,504	\$ -	\$ 1,504
Differences in assumptions	829	-	829
To be recognized in the future	<u>2,333</u>	<u>-</u>	<u>\$ 2,333</u>
Contributions subsequent to the measurement date	334	-	
Total	<u>\$ 2,667</u>	<u>\$ -</u>	

The \$334 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, 2022. 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,	
2022	\$ 378
2023	377
2024	362
2025	352
2026	315
Thereafter	549
	<u>\$ 2,333</u>

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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. Public Improvement Districts

On April 6, 2020, the City Council passed Resolution No. 2020-010-200 authorizing the establishment of a PID for the Constellation Lake Public Improvement District in accordance with Chapter 372 of the Texas Tax Code. The Constellation Lake Public Improvement District consists of approximately 723.822 acres of land located entirely within the corporate boundaries of the City of New Fairview, Wise County, Texas that was created to finance certain public improvement projects for the benefit of the property in the PID. The City will act as the intermediary agent by collecting any special assessments tax collections and forwarding them to a trust. The City and developers can then draw from the trusts with eligible expenses and approved projects by City Council. These collections have begun and will be transferred to the trust in the following year.

10. Subsequent Events

The City has evaluated all events and transactions that occurred after September 30, 2022 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

11. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

CITY OF NEW FAIRVIEW
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. Litigation

The City is a party to various legal actions normally associated with local governments, the aggregate of which, in the City's and legal counsel's opinion, would not be material to the financial statements of the City.

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues:				
Property taxes	\$ 528,796	\$ 528,796	\$ 563,835	\$ 35,039
Sales & beverage taxes	300,000	300,000	439,640	139,640
Franchise fees	50,000	50,000	69,922	19,922
Permits & development fees	890,000	890,000	836,909	(53,091)
Municipal court	20,000	20,000	16,572	(3,428)
Intergovernmental revenues	541,291	691,291	199,970	(491,321)
Other revenues	-	85,000	17,745	(67,255)
Interest income	-	-	8,895	8,895
Total revenues	\$ 2,330,087	\$ 2,565,087	\$ 2,153,488	\$ (411,599)
Expenditures:				
General government				
Salaries & wages	\$ 270,140	\$ 270,140	\$ 410,464	\$ (140,324)
Payroll taxes	32,791	32,791	65,565	(32,774)
Health insurance	35,520	35,520	26,929	8,591
Retirement	28,045	28,045	36,633	(8,588)
Employee vehicle expense	5,100	5,100	-	5,100
Accounting & auditing services	5,000	5,000	-	5,000
Engineering services	47,500	47,500	12,987	34,513
Legal services	87,500	87,500	114,467	(26,967)
Other professional services	55,500	55,500	40,812	14,688
Planning services	32,500	32,500	42,229	(9,729)
Animal control	7,500	7,500	1,025	6,475
Code enforcement	10,000	10,000	8,319	1,681
Dues, membership & training	60,500	60,500	22,838	37,662
Election expenses	3,000	3,000	1,407	1,593
Grant expenditures	-	-	21,279	(21,279)
Inspections	53,500	53,500	54,195	(695)
Insurance	15,000	15,000	9,768	5,232
Miscellaneous expenses	45,000	45,000	3,729	41,271
Office supplies	155,090	155,090	44,024	111,066
Property tax assessor/collector	10,000	10,000	12,590	(2,590)
Public notices	1,800	1,800	1,851	(51)
Repairs & maintenance - building	15,500	15,500	-	15,500
Software	42,500	42,500	31,314	11,186
Street lights	5,500	5,500	-	5,500
Telephone & internet	13,500	13,500	14,754	(1,254)
Utilities	8,200	8,200	-	8,200
Total general government	1,046,186	1,046,186	977,179	69,007

CITY OF NEW FAIRVIEW, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Amended	Actual	
Municipal court				
Dues, membership & training	1,750	1,750	-	1,750
Judge	2,000	2,000	1,950	50
Software	5,000	5,000	-	5,000
Total municipal court	8,750	8,750	1,950	6,800
Police				
Contract labor	65,000	65,000	18,636	46,364
Public works				
Contract labor	60,000	60,000	22,466	37,534
Equipment rental	2,500	2,500	2,453	47
Equipment repair and supplies	10,000	10,000	7,354	2,646
Minor equipment	-	-	22,789	(22,789)
Miscellaneous expenses	-	-	9,069	(9,069)
Signs	5,000	5,000	11,944	(6,944)
Fuel	-	-	5,463	(5,463)
Repairs & maintenance - building	-	-	12,943	(12,943)
Street repairs	120,000	120,000	122,444	(2,444)
Utilities	-	-	10,895	(10,895)
Total streets	197,500	197,500	227,820	(10,895)
Debt service				
Interest paid	59,625	59,625	59,957	(332)
Principal paid	85,000	85,000	85,000	-
Total debt service	144,625	144,625	144,957	(332)
Capital outlay				
Acquisitions and improvements	3,468,123	3,576,833	2,436,264	1,140,569
Total capital outlay	3,468,123	3,576,833	2,436,264	1,140,569
Total expenditures	4,930,184	5,038,894	3,806,806	1,251,513
Transfers & other sources				
Transfer From Community Development	144,625	144,625	-	(144,625)
Excess of revenues over (under) expenditures	\$ (2,455,472)	\$ (2,329,182)	(1,653,318)	\$ 695,289
Fund balance - beginning of year			3,004,009	
Fund balance - end of year			<u>\$ 1,350,691</u>	

CITY OF NEW FAIRVIEW, TEXAS

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI)
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 amended one time during the year ended September 30, 2022.

CITY OF NEW FAIRVIEW, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2021

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service Cost	\$ 7,487	\$ 5,372	\$ 5,743	\$ 5,833	\$ 6,524	\$ 7,249	\$ 10,642	\$ 25,522
Interest (on the total pension liability)	6,568	7,181	8,150	9,130	10,186	11,415	13,013	16,298
Changes in benefit terms	-	-	-	-	-	-	-	19,096
Difference between expected and actual experience	249	1,955	2,051	1,814	2,608	3,291	(44)	(99,354)
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)	(1,478)
Net change in pension liability	7,956	17,400	14,466	15,299	17,840	21,987	22,133	(39,916)
Total pension liability - beginning	93,259	101,215	118,615	133,081	148,380	166,220	188,207	210,340
Total pension liability - ending	101,215	118,615	133,081	148,380	166,220	188,207	210,340	170,424
Plan fiduciary net position								
Contributions - Employer	\$ 3,750	\$ 3,548	\$ 3,324	\$ 5,383	\$ 6,998	\$ 8,661	\$ 13,594	\$ 23,141
Contributions - Employee	6,265	4,922	4,994	5,072	5,673	6,303	9,208	14,338
Net investment income	2,793	81	4,135	9,997	(2,731)	15,415	9,766	20,850
Benefit payments, including refunds of employee contributions	(6,348)	(2,633)	(1,478)	(1,478)	(1,478)	(1,478)	(1,478)	(1,478)
Administrative expense	(29)	(50)	(47)	(52)	(53)	(87)	(63)	(96)
Other	(2)	(2)	(3)	(3)	(3)	(2)	(2)	-
Net change in plan fiduciary net position	6,429	5,866	10,925	18,919	8,406	28,812	31,025	56,755
Net fiduciary position - beginning	48,770	55,199	61,065	71,990	90,909	99,315	128,127	159,152
Net fiduciary position - ending	\$ 55,199	\$ 61,065	\$ 71,990	\$ 90,909	\$ 99,315	\$ 128,127	\$ 159,152	\$ 215,907
Net pension liability (a) - (b)	\$ 46,016	\$ 57,550	\$ 61,091	\$ 57,471	\$ 66,905	\$ 60,080	\$ 51,188	\$ (45,483)
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%	126.69%
Covered employee payroll	\$ 89,497	\$ 70,312	\$ 71,336	\$ 72,455	\$ 81,040	\$ 90,047	\$ 131,547	\$ 204,830
Net pension liability as a percentage of covered payroll	51.42%	81.85%	85.64%	79.32%	82.56%	66.72%	38.91%	-22.21%

CITY OF NEW FAIRVIEW, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
SEPTEMBER 30, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 3,719	\$ 3,477	\$ 4,933	\$ 6,660	\$ 8,635	\$ 9,976	\$ 22,601	\$ 27,869
Contributions in relation to the actuarially determined contribution	3,719	3,477	4,933	6,660	8,635	9,976	22,601	27,869
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 410,463
Contributions as a percentage of covered employee payroll	5.24%	4.94%	6.86%	8.39%	9.47%	11.08%	17.18%	6.79%

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 Increased city matching ratio from 1 - 2 to 2 - 1.

CITY OF NEW FAIRVIEW, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

DECEMBER 31, 2021

Plan Year	2017	2018	2019	2020	2021
TOTAL OPEB LIABILITY					
Total OPEB Liability Beginning of Year	\$ 5,085	\$ 5,560	\$ 5,503	\$ 6,295	\$ 6,415
Changes for the year					
Service Cost	43	57	54	118	348
Interest on Total OPEB Liability	192	184	203	173	126
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	47	4	(388)	2,016
Change of assumptions or other inputs	305	(264)	621	349	259
Benefit payments	(65)	(81)	(90)	(132)	(594)
NET CHANGE IN OPEB LIABILITY	<u>475</u>	<u>(57)</u>	<u>792</u>	<u>120</u>	<u>2,155</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 5,560</u>	<u>\$ 5,503</u>	<u>\$ 6,295</u>	<u>\$ 6,415</u>	<u>\$ 8,570</u>
Covered employee payroll	\$ 72,455	\$ 81,040	\$ 90,047	\$ 131,547	\$ 204,830
OPEB Liability as a percentage of covered payroll	7.67%	6.79%	6.99%	4.88%	4.18%

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



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, 2022, 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 July 17, 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 were not 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 2022-1.

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 2022-2 and Finding 2022-3.

Report on 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*.

City of New Fairview, Texas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of New Fairview, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of New Fairview, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

July 17, 2023

**CITY OF NEW FAIRVIEW, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 2022-1: 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 2022-2: 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.

**CITY OF NEW FAIRVIEW, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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.

Finding 2022-3: Significant Deficiency over Financial Reporting – Bank Reconciliations

Condition and Criteria: The City should perform bank reconciliations over all of the accounts they have ownership of and confirm activity is appropriately recorded to the general ledger.

Cause: The City failed to record transfers and interest income for their accounts during the current year audit.

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

Recommendations: We recommend that the City perform bank reconciliations on a monthly basis for both checking and investment accounts and confirm to the City's general ledger that activity and balances (plus or minus any outstanding items) matches to the statements.

Response: The City is aware of these issues and is working to improve this process.