

**CITY OF NEW FAIRVIEW, TX**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

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**WILLIAM C SPORE, P.C.**  
**Certified Public Accountants**  
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Independent Auditor's Report

To the City Council  
City of New Fairview, Texas

I have audited the accompanying financial statements of the governmental activities and major funds of the City of New Fairview, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of New Fairview, Texas, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the schedule of changes in net pension liability and related ratios and the schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*William C. Spore, P.C.*

Keller, Texas

Certified Public Accountants

September 14, 2020

**CITY OF NEW FAIRVIEW, TX**

**CITY OFFICIALS**

**September 30, 2017**

<b>MAYOR</b>	<b>Joe Max Wilson</b>
<b>MAYOR PRO TEM</b>	<b>Louis Moran</b>
<b>COUNCIL MEMBERS</b>	<b>Mike Georgia</b>
	<b>Scott Johnson</b>
	<b>Curtis Kent</b>
	<b>Rick White</b>
<b>SECRETARY</b>	<b>Monica Rodriguez</b>
<b>MUNICIPAL COURT JUDGE</b>	<b>Manuel Valdez</b>

## **CITY OF NEW FAIRVIEW MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of New Fairview, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

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, 2017 by \$1,246,032, a decrease of \$82,608 from the prior year.
- On September 30, 2017, the City's governmental funds reported fund balances of \$21,885, a decrease of \$46,176 from the prior year.
- The City's capital assets, reported at cost less accumulated depreciation, total \$1,301,736 on September 30, 2017 while the City's outstanding long-term debt totaled \$29,734 on September 30, 2017.

### **USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Reporting the City as a Whole - Government-wide Financial Statements**

##### **The Statement of Net Position and the Statement of Activities:**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net position (page 10) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The City currently only provides Governmental type activities. Governmental activities include basic services such as police, municipal court, code enforcement, inspection, public works, and general administration. Sales taxes, franchise fees, municipal court fines and permit revenues finance most of these activities. The City does not provide any Business-type activities such as water or sewer systems and related fees.

## **Fund Financial Statements**

### **Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

All of the City's activities are accounted for in the Governmental Funds. Governmental funds focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements, the Balance Sheet (page 12) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 13) provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

## **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position is its investment in capital assets, (land, building, equipment, and infrastructure.) The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net position are as follows:

	NET POSITION	
	2017	2016
Current and Other Assets	\$ 34,242	\$ 83,295
Capital Assets	<u>1,301,736</u>	<u>1,345,904</u>
Total Assets	<u>1,335,978</u>	<u>1,429,199</u>
Deferred Outflows of Resources	<u>13,236</u>	<u>12,225</u>
Long-Term Liabilities	29,734	40,000
Net Pension Liability	61,091	57,550
Other Liabilities	<u>12,357</u>	<u>15,234</u>
Total Liabilities	<u>103,182</u>	<u>112,784</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>
Net Position:		
Invested in Capital Assets, net of debt	1,272,002	1,305,904
Unrestricted	<u>(25,970)</u>	<u>22,736</u>
Total Net Position	<u>\$ 1,246,032</u>	<u>\$ 1,328,640</u>

The City's net position decreased \$82,608 from September 30, 2016 to September 30, 2017. The largest portion (100%) 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 2017 the City added capital assets of \$2,069 and reduced its long-term debt by \$10,266. The City's actuarially calculated net pension liability increased \$3,541 (6%) from September 2016 to September 2017.



## Analysis of City's Operations

A summary of the City's operations for the years ended September 30, 2017 & 2016 are as follows:

	CHANGES IN NET POSITION	
	2017	2016
REVENUES		
Program Revenues:		
Charges for Services	\$ 20,780	\$ 37,085
General Revenues:		
Sales Taxes	109,678	154,775
Franchise Fees	45,110	32,349
Interest Income	120	130
Total Revenues	<u>\$ 175,688</u>	<u>\$ 224,339</u>
PROGRAM EXPENSES		
General Government	\$ 200,039	\$ 212,155
Public Safety	25,535	23,251
Public Works	30,401	49,608
Interest on Long-Term Debts	<u>2,321</u>	<u>2,866</u>
Total Expenses	<u>258,296</u>	<u>287,880</u>
Increase (Decrease) in Net Position	<u>\$ (82,608)</u>	<u>\$ (63,541)</u>

Charges for services revenues includes permit revenues and municipal court fines. Growth in the City continued to be slow for the third year in row as permit revenues decreased \$7,158 (28%) and municipal court fines decreased \$7,784 (80%) during 2017 as fewer tickets were presented to the City's court for processing.

The City's sales tax revenues continued to decline from 2014 levels and the 2017 collections of \$109,678 represented a \$36,433 (29%) decline from 2016.

Total program expenses decreased \$29,584 (19%) in 2017 from 2016 primarily due to a decrease in inspection fees, legal fees, public works contract labor and street repairs.

## 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:

		2017		2016	% CHANGE
<b>REVENUES</b>					
Sales Taxes	\$	109,678	\$	154,775	-29.14%
Franchise Fees		45,110		32,349	39.45%
Permits & Fees		18,292		25,450	-28.13%
Municipal Court		1,903		9,687	-80.36%
Miscellaneous Revenues		585		1,948	-69.97%
Interest Income		120		130	-7.69%
<b>TOTAL REVENUES</b>	<b>\$</b>	<b>175,688</b>	<b>\$</b>	<b>224,339</b>	<b>-21.69%</b>
		2017		2016	% CHANGE
<b>EXPENDITURES</b>					
General Government	\$	174,656	\$	182,334	-4.21%
Public Safety		25,535		23,251	9.82%
Public Works		7,017		26,224	-73.24%
Debt Service		12,587		22,866	-44.95%
Capital Outlay		2,069		4,667	-55.67%
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>221,864</b>	<b>\$</b>	<b>259,342</b>	<b>-14.45%</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$</b>	<b>(46,176)</b>	<b>\$</b>	<b>(35,003)</b>	

Fund basis revenues decreased \$48,651 (22%) due the decrease in sales tax, court, and permit revenues noted above.

Governmental fund operating expenditures include capital outlay expenditures related to the construction of the new municipal complex. These expenditures totaled \$2,069 in 2017 and \$4,667 in 2016.

Debt service expenditures represent the principal and interest payments made on the parking lot loan. A principal reduction of \$10,266 was made in fiscal year 2017.

## General Fund Budgetary Highlights

Actual general fund revenues were \$54,147 less than budgeted revenues primarily due to decreases in sales tax, municipal court and permit revenues received in 2017. The 2017 budget for revenues was based on prior years collections for the revenue line items.

Total actual 2017 general fund expenditures were \$39,520 less than budgeted general fund expenditures. General government expenditures were \$16,048 (8.5%) under budget, municipal court was \$2,220 (55%) under budget, police were \$1,947 (8%) over budget and public works was \$14,912 (68%) under budget.

A long-term debt principal payment of \$20,000 was budgeted but due to a shortage of funds the City was only able to make a principal payment of \$10,266.

Capital outlay expenditures totaled \$2.069 in 2017. These expenditures were not included in the budget.

## CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2017 amounts to \$1,301,736 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

Capital additions during the year included \$2,069 of expenditures related to the City's new municipal complex.

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

	2017	2016
Land	\$ 256,193	\$ 256,193
Buildings & Improvements	841,843	860,775
Equipment	3,797	5,649
Infrastructure-Streets	<u>199,903</u>	<u>223,287</u>
TOTAL	<u>\$ 1,301,736</u>	<u>\$ 1,345,904</u>

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

## **DEBT ADMINISTRATION**

The City did not incur any new long-term debts in fiscal year 2017.

Outstanding long-term debts are as follows:

	2017	2016
Notes Payable	<u>29,734</u>	<u>40,000</u>
TOTAL	\$ <u><u>29,734</u></u>	\$ <u><u>40,000</u></u>

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The 2018 general fund budget is a surplus budget as budgeted revenues exceed budgeted expenditures by \$10,447. This surplus will be added to the City's reserve funds.

General fund budgeted revenues for fiscal year 2018 are \$203,918. These revenues include sales tax, franchise fees, permit and municipal court revenues which were budgeted at levels comparative to the 2017 actual revenues. The budget also includes developer reimbursements of \$19,000.

Budgeted 2018 general fund expenditures are \$193,471. There were no budgeted expenditures included for debt service.

## **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 400 Woodland Drive, New Fairview, TX 75077 or at (940) 241-2677.

**CITY OF NEW FAIRVIEW, TX**  
**GOVERNMENT-WIDE**  
**STATEMENT OF NET POSITION**

*September 30, 2017*

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS</b>	
Cash	\$ 18,529
Receivable-Sales Taxes	15,713
<b>TOTAL CURRENT ASSETS</b>	<u>34,242</u>
<b>CAPITAL ASSETS</b>	
Land	256,193
Buildings & Improvements	916,542
Equipment	108,548
Infrastructure-Roads	350,754
Accumulated Depreciation	<u>(330,301)</u>
<b>NET CAPITAL ASSETS</b>	<u>1,301,736</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,335,978</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Contributions After Measurement Date	\$ 4,078
Difference in Projected and Actual Earnings-Pension	3,186
Difference in Expected and Actual Pension Experience	2,509
Pension Assumption Changes	<u>3,463</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 13,236</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 9,775
Accrued Liabilities	2,582
Notes Payable	29,734
Net Pension Liability	<u>61,091</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>103,182</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 103,182</u>
<b>NET POSITION</b>	
Invested in Capital Asset, Net of Related Debt	1,272,002
Unrestricted (deficit)	<u>(25,970)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,246,032</u>

CITY OF NEW FAIRVIEW, TX

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS &amp; DONATIONS</u>	<u>CAPITAL GRANTS &amp; REIMBURSE- MENTS</u>	<u>NET (EXPENSE) REVENUE</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	\$ (200,039)	\$ 18,877	\$ 0	\$ 0	\$ (181,162)
Public Safety	(25,535)	1,903	0	0	(23,632)
Public Works	(30,401)	0	0	0	(30,401)
Interest on Long-Term Debt	(2,321)	0	0	0	(2,321)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (258,296)</b>	<b>\$ 20,780</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>(237,516)</b>
<b>GENERAL REVENUE</b>					
Sales Taxes					109,678
Franchise Fees					45,110
Interest Income					120
<b>TOTAL GENERAL REVENUE</b>					<b>154,908</b>
<b>CHANGE IN NET POSITION</b>					<b>(82,608)</b>
<b>NET POSITION - BEGINNING</b>					<u>1,328,640</u>
<b>NET POSITION - ENDING</b>					<u><u>\$ 1,246,032</u></u>

**CITY OF NEW FAIRVIEW, TX**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2017**

<b>ASSETS</b>		
Cash		\$ 18,529
Receivables:		
Sales Taxes		15,713
<b>TOTAL ASSETS</b>		<u>34,242</u>
<b>LIABILITIES</b>		
Accounts Payable		9,775
Accrued Payroll Expenses		2,582
<b>TOTAL LIABILITIES</b>		<u>12,357</u>
<b>FUND BALANCE</b>		
Unassigned		21,885
<b>TOTAL FUND BALANCE</b>		<u>21,885</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES</b>		<u>\$ 34,242</u>

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

**September 30, 2017**

Fund Balance Above		\$ 21,885
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet		1,301,736
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet:		(29,734)
Net Pension Liability and related deferred inflows and deferred outflows of Resources		(47,855)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u>\$ 1,246,032</u>

**CITY OF NEW FAIRVIEW, TX**

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

*For the Year Ended September 30, 2017*

	<b>GENERAL FUND</b>
<b>REVENUES</b>	
Sales Taxes	\$ 109,678
Franchise Fees	45,110
Municipal Court	1,903
Permits & Fees	18,292
Other Revenues	585
Interest Income	120
<b>TOTAL REVENUES</b>	<b><u>175,688</u></b>
<b>EXPENDITURES</b>	
General Government	174,656
Public Safety	25,535
Public Works	7,017
Debt Service - Principal	10,266
Debt Service - Interest	2,321
Capital Outlay	2,069
<b>TOTAL EXPENDITURES</b>	<b><u>221,864</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(46,176)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>68,061</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ <u><u>21,885</u></u></b>



CITY OF NEW FAIRVIEW, TX

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
STATEMENT OF ACTIVITIES

*For the Year Ended September 30, 2017*

Net Change in Fund Balance - Governmental Funds \$ (46,176)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However,  
in the statement of activities the cost of these assets is allocated  
over the estimated useful lives as depreciation expense:

Capital assets recorded in the current period 2,069

Depreciation expense on capital assets (46,237)

The issuance of debt is revenue in the governmental funds, but increases  
long-term liabilities in the statement of net assets: 0

Repayment on debt principle is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net position: 10,266

Governmental funds report pension expense as it paid into the retirement  
plan during the fiscal year. However, in the statement of activities pension  
expense reflects the change in net pension liability and related deferred  
inflows and outflows of resources. (2,530)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (82,608)**

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

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

The City of New Fairview operates under a Council-Mayor form of government, following the laws of a General Law City as defined by the State of Texas. The City provides the following services: code enforcement, inspection, police, municipal court, public works, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The more significant accounting policies of the City are discussed below:

**A. REPORTING ENTITY**

These financial statements present the City (the primary government). The City has no component units (separately administered organizations that are controlled or dependent on the City).

**B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's code enforcement inspection, police, municipal court, public works, and general administrative services are classified as governmental activities. The City does not provide any business-type activities.

In the government-wide Statement of Net Position governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, and public works). The functions are also supported by general government revenues (property, sales, and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

## CITY OF NEW FAIRVIEW

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

The net costs (by function) are normally covered by general revenue (property, sales, and franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

#### **C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City only provides Governmental Fund type activities and these activities are accounted for the General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City.

The City does not provide any Business-type activities.

The City does not have any Fiduciary Funds.

#### **D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

# CITY OF NEW FAIRVIEW

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

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 principle and interest on general obligation long-term debt, if any, is recognized only when payment is due.

### 3. Revenue Recognition:

The City considers property, sales, and franchise taxes as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

### 4. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles to local governments in the United States of America requires management and those charged with governance to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 5: New Accounting Principles:

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of New Fairview.

- Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement will not affect the City.
- Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No.73*. The effect of this statement will be recognized in the fiscal year 2018.
- Statement No. 83, *Certain Asset Retirement Obligations*. This statement will not affect the City.
- Statement No. 84, *Fiduciary Activities*. This statement will not affect the City.
- Statement No. 85, *Omnibus 2017*. The effect of this statement will be recognized in the fiscal year 2018.
- Statement No. 86, *Certain Debt Extinguishment Issues*. This statement will not affect the City.
- Statement No. 87, *Leases*. The effect of this statement will be recognized in the fiscal year 2021, with earlier application allowed.

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2018, as required.

**E. FINANCIAL STATEMENT AMOUNTS:**

**1. Cash and cash Equivalents:**

The City has defined cash and cash equivalents to include cash on hand and demand deposits.

**2. Capital Assets:**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Office Equipment	3 - 10 years
Infrastructure	15 - 20 years

**3. Restricted Resources:**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

**4. Compensated Absences:**

The City Secretary is the only paid employee of the City. The amount, if any, of any accrued compensated absences is immaterial and is not recorded in these financial statements.

**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 of resources related to differences between the plans' projected and actual earnings (3) deferred outflows related to differences in expected and actual pension experience and (4) differences between actuarial assumptions for demographic factors.

## CITY OF NEW FAIRVIEW

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

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 over 4.36 to 7.96 years, including the current year and the deferred outflows related to assumption changes will be amortized over 4.36 years, including the current year.

No deferred outflows of resources affect the governmental funds financial statements in the current year.

#### **6. Deferred Inflows of resources:**

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements include (1) a deferred inflow of resources for revenues that are not considered available. 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.

#### **7. Equity Classifications:**

##### *Government-wide Statements*

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

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

**F: BUDGETS AND BUDGETARY ACCOUNTING:**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above budgeted funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2017 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Police	\$ 1,947
Capital Outlay	\$ 2,069

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE 2: DEPOSITS:**

At September 30, 2017, the carrying amount of the City's cash accounts were \$18,529, made up of petty cash of \$100 and \$18,429 held in checking accounts at two local financial institution. The City did not own any investments at September 30, 2017.

Deposit and Investment Risk Disclosures:

(1) Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2017, the City's bank balances (per bank) totaled \$20,511. All of the bank balances were covered by federal depository insurance. The City was not exposed to any custodial credit risk at September 30, 2017.

(2) Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City does not currently own any investments and, therefore, is not exposed to credit risk.

(3) Concentration of credit risk - This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not currently own any investments and, therefore, is not exposed to interest rate risk.

**NOTE 3: PROPERTY TAX:**

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes at the fund level are recorded as receivables and deferred revenues at the time taxes are assessed. Revenues are recognized as the related taxes are collected.



**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE 4: CAPITAL ASSETS:**

Capital asset activity for the fiscal year ended September 30, 2017 is as follows:

	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciation:				
Land	\$ 256,193	\$ 0	\$ 0	\$ 256,193
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cap't Assets Not Being Depreciation	<u>256,193</u>	<u>0</u>	<u>0</u>	<u>256,193</u>
Building & Improvements	914,473	2,069	0	916,542
Equipment	108,548	0	0	108,548
Infrastructure-Roads	<u>350,754</u>	<u>0</u>	<u>0</u>	<u>350,754</u>
Total Cap't Assets Being Depreciated	<u>1,373,775</u>	<u>2,069</u>	<u>0</u>	<u>1,375,844</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Building & Improvements	53,696	21,001	0	74,697
Equipment	102,900	1,852	0	104,752
Infrastructure	<u>127,468</u>	<u>23,384</u>	<u>0</u>	<u>150,852</u>
Total Accumulated Depreciation	<u>284,064</u>	<u>46,237</u>	<u>0</u>	<u>330,301</u>
Net Capital Assets Being Depreciated	<u>1,089,711</u>	<u>(44,168)</u>	<u>0</u>	<u>1,045,543</u>
Net Capital Assets	<u>\$ 1,345,904</u>	<u>\$ (44,168)</u>	<u>\$ 0</u>	<u>\$ 1,301,736</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 22,853
Public Works	23,384
<b>TOTAL DEPRECIATION EXPENSE</b>	<u><u>\$ 46,237</u></u>

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE 5: LONG-TERM DEBT:**

During fiscal year 2015 the City borrowed \$60,000 from a local financial institution to provide funds for parking lot improvements at City Hall. The original loan matured and has been refinanced several times, most recently in May 2017. The loan requires monthly interest payments at 6.5% and the loan matures May 4, 2020. The loan is unsecured. The balance outstanding at September 30, 2017 was \$29,734.

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

GOVERNMENTAL ACTIVITIES:	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Notes Payable	\$ 40,000	\$ 0	\$ (10,266)	\$ 29,734	\$ 10,000

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2018	\$ 10,000	\$ 1,933	\$ 11,933
2019	10,000	1,283	11,283
2020	9,734	633	10,367
	<u>\$ 29,734</u>	<u>\$ 3,848</u>	<u>\$ 33,582</u>

**NOTE 6: RETIREMENT PLAN:**

A. Plan Description

The City participates as one of 872 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.

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

**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 2016	Plan Year 2017
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

At the December 31, 2016 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>1</u>
	2

**C. Contributions**

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.55% and 4.77% for the calendar years 2017 and 2016, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2017 were \$4,933 and were equal to the required contributions.

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

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 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.

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)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

***Discount Rate:***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

***Changes in Net Pension Liability:***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 118,615	\$ 61,065	\$ 57,550
Service Cost	5,743		5,743
Interest	8,150		8,150
Differences between expected and actual results	2,051		2,051
Change in Assumptions	0		0
Contributions - employer		3,324	(3,324)
Contributions - employee		4,994	(4,994)
Net investment income		4,135	(4,135)
Benefit Payments, including refunds of employee contributions	(1,478)	(1,478)	0
Administrative expense		(47)	47
Other		(3)	3
Net Changes	<u>14,466</u>	<u>10,925</u>	<u>3,541</u>
Balance at December 31, 2016	<u>\$ 133,081</u>	<u>\$ 71,990</u>	<u>\$ 61,091</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 7.0%, 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%)
City's Net Pension Liability	\$ <u>92,664</u>	\$ <u>61,091</u>	\$ <u>36,322</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](http://www.tmrs.com).

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

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

For the year ended September 30, 2017 the City recognized pension expense of \$7,463.

At September 30, 2017, 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	\$ 3,186	\$	0	\$ 3,186
Differences between projected and actual investment earnings	2,509			2,509
Assumption Changes	<u>3,463</u>		<u>0</u>	<u>3,463</u>
To be recognized in the future	9,158		0	<u>\$ 9,158</u>
Contributions subsequent to the measurement date	4,078		0	
Total	<u>\$ 13,236</u>	\$	<u>0</u>	

The \$4,078 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, 2017. 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,		
2017	\$	2,558
2018		2,559
2019		2,436
2020		784
2021		285
Thereafter		<u>536</u>
	\$	<u>9,158</u>

**CITY OF NEW FAIRVIEW**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE 7: DEFICIT NET POSITION:**

A deficit unrestricted net position of \$25,970 exists in the governmental-wide statement of net position resulting from the City recognizing its net pension liability of \$61,091.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (“TMLIRP”) which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

**NOTE 9: SUBSEQUENT EVENTS:**

The City has evaluated all events and transactions that occurred after September 30, 2019 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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

For the Year Ended September 30, 2017

	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
<b>RESOURCES (INFLOWS)</b>			
Sales Taxes	\$ 160,352	\$ 109,678	\$ (50,674)
Franchise Fees	32,349	45,110	12,761
Municipal Court Revenues	8,478	1,903	(6,575)
Permits & Fees	27,235	18,292	(8,943)
Other Revenues	1,421	585	(836)
Interest Income	0	120	120
<b>TOTAL RESOURCES (INFLOWS)</b>	<b>229,835</b>	<b>175,688</b>	<b>(54,147)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
<b>General Government:</b>			
Wages	70,748	71,943	(1,195)
Payroll Taxes	8,620	5,575	3,045
Health Insurance	6,000	7,300	(1,300)
Retirement	2,273	4,933	(2,660)
Animal Control	1,285	800	485
Contract Labor-Office	12,870	10,656	2,214
Contract Labor-Code Enforcement	4,655	2,423	2,232
Dues, Memberships & Training	1,638	2,503	(865)
Engineer Services	3,260	4,115	(855)
Inspections	22,286	14,592	7,694
Insurance	6,948	5,464	1,484
Legal Services	4,869	6,000	(1,131)
Miscellaneous Expenses	162	1,694	(1,532)
Office & Computer Supplies	4,215	6,282	(2,067)
Planning Services	20,562	15,855	4,707
Public Notices	4,610	1,197	3,413
Repair & Maintenance-Bldg. & Equip.	446	491	(45)
Street Lights	1,514	2,852	(1,338)
Telephone & Internet	6,946	4,475	2,471
Utilities	4,956	3,665	1,291
<b>Total General Government</b>	<b>188,863</b>	<b>172,815</b>	<b>16,048</b>
<b>Municipal Court:</b>			
Dues, Memberships & Training	482	0	482
Judge	2,250	1,841	409
Software	1,329	0	1,329
<b>Total Municipal Court</b>	<b>4,061</b>	<b>1,841</b>	<b>2,220</b>
<b>Police:</b>			
Contract Labor	23,588	25,535	(1,947)
<b>TOTAL Police</b>	<b>23,588</b>	<b>25,535</b>	<b>(1,947)</b>

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

For the Year Ended September 30, 2017

	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
<b>Public Works</b>			
Contract Labor	5,000	4,885	115
Equipment Repair	4,208	512	3,696
Fuel	0	225	(225)
Street Repairs	12,721	1,395	11,326
<b>TOTAL Public Works</b>	<b>21,929</b>	<b>7,017</b>	<b>14,912</b>
<b>Debt Service:</b>			
Interest Paid	2,943	2,321	622
Principal Paid	20,000	10,266	9,734
<b>Total Debt Service</b>	<b>22,943</b>	<b>12,587</b>	<b>10,356</b>
<b>Capital Outlay:</b>			
Building Improvements	0	2,069	(2,069)
<b>TOTAL CAPITAL OUTLAY</b>	<b>0</b>	<b>2,069</b>	<b>(2,069)</b>
<b>TOTAL APPROPRIATIONS (OUTFLOWS)</b>	<b>261,384</b>	<b>221,864</b>	<b>39,520</b>
<b>EXCESS OF RESOURCES OVER UNDER APPROPRIATIONS</b>	<b>(31,549)</b>	<b>(46,176)</b>	<b>\$ (14,627)</b>
<b>BEGINNING BUDGETARY FUND BALANCE</b>	<b>68,061</b>	<b>68,061</b>	
<b>ENDING BUDGETARY FUND BALANCE</b>	<b>\$ 36,512</b>	<b>\$ 21,885</b>	<b>\$</b>

CITY OF NEW FAIRVIEW, TX

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2017

Plan Year	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 5,743	5,372	7,487
Interest (on the Total Pension Liability)	8,150	7,181	6,568
Changes in benefit terms	0	0	0
Difference between expected and actual experience	2,051	1,955	249
Change of assumptions	0	5,525	0
Benefit payments, including refunds of employee contributions	(1,478)	(2,633)	(6,348)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>14,466</b>	<b>17,400</b>	<b>7,956</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>118,615</b>	<b>101,215</b>	<b>93,259</b>
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<b>\$ 133,081</b>	<b>118,615</b>	<b>101,215</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	\$ 3,324	3,548	3,750
Contributions - Employee	4,994	4,922	6,265
Net investment income	4,135	81	2,793
Benefit payments, including refunds of employee contributions	(1,478)	(2,633)	(6,348)
Administrative expense	(47)	(50)	(29)
Other	(3)	(2)	(2)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>10,925</b>	<b>5,866</b>	<b>6,429</b>
<b>PLAN NET FIDUCIARY POSITION - BEGINNING</b>	<b>61,065</b>	<b>55,199</b>	<b>48,770</b>
<b>PLAN NET FIDUCIARY POSITION - ENDING (b)</b>	<b>\$ 71,990</b>	<b>61,065</b>	<b>55,199</b>
<b>NET PENSION LIABILITY (a) - (b)</b>	<b>\$ 61,091</b>	<b>57,550</b>	<b>46,016</b>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	54.09%	51.48%	54.54%
Covered employee payroll	\$ 71,336	70,312	89,497
Net Pension Liability as a percentage of covered payroll	85.64%	81.85%	51.42%

**CITY OF NEW FAIRVIEW, TX**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**September 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 4,933	3,477	3,719
Contributions in relation to the actuarially determined contribution	4,933	3,477	3,719
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	71,944	70,429	71,035
Contributions as a percentage of covered employee payroll	6.86%	4.94%	5.24%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5%, 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 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year

**WILLIAM C. SPORE, P.C.**  
**Certified Public Accountants**  
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**817-421-6619**

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To the City Council  
City of New Fairview, Tx.

In planning and performing my audit of the financial statements of the governmental activities and major fund of the City of New Fairview, Tx. as of and for the year ending September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, I considered the City of New Fairview' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A materiel weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

This communication is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

*William C. Spore, PC*  
Certified Public Accountants

September 14, 2020